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H.J. HEINZ COMPANY 1986 ANNUAL REPORT IN 1886 THE FOUNDER SAILED FOR ENGLAND...

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OUR MARKET IS THE WORLD

"He had no letter of introduction, no name to ask for. There was, he had learned, no Mr. Fortnum and no Mr. Mason....He grasped his Gladstone bag, marched through the Georgian doorway, and announced in a firm American voice that he was there to see the Head of Grocery Purchasing....The Head surveyed the seven products, tasted the horseradish, the ketchup, the chili sauce. Heinz readied himself to meet the expected rebuff with the prepared counterattack. He was astonished...to hear the Head say, 'I think, Mr. Heinz, we will take all of them!'"

—“The Good Provider: H. J. Heinz and His 57 Varieties,” by Robert C. Alberts, published in 1973 by Houghton Mifflin Company, Boston.



Henry J. Heinz, who founded this company in 1869, was an intuitive and tireless marketer. It was typical of him that he had only shortly before descended the gangplank of The City of Berlin (see cover and page 7) when he ordered up a horse-drawn hansom and proceeded to London's Piccadilly Street. There he unloaded his wares and called upon the venerable house of Fortnum and Mason, Purveyor to the Queen.

In his diary, Founder Heinz wrote of “opening a way for our goods on this side of the pond.” He had already declared his dream in one of the

Important Ideas for which he was famous: Our market is the world.

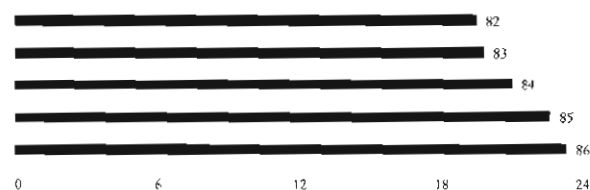
In these pages, we celebrate the centennial of that momentous day and set forth what has come out of it—a strong and growing family of companies, important to hundreds of millions of people in scores of countries on all six of the inhabited continents of planet Earth.

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HIGHLIGHTS

Return on Average Shareholders' Equity
(in percent)

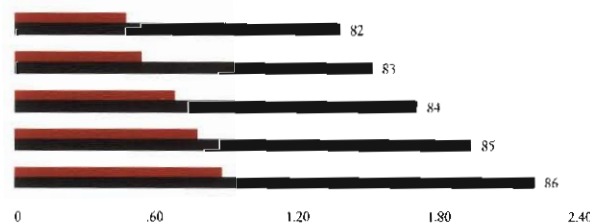


Dividends and Earnings per Common Share
(in dollars)

■ Dividends
■ Earnings per share

Five-year compound growth:

Dividends 16.9%, Earnings per share 13.7%



(dollars in thousands except per share data)

	1986	1985	1984
Sales	\$ 4,366,177	\$ 4,047,945	\$ 3,953,761
Operating income	551,121	491,477	454,121
Net income	301,734	265,978	237,530
Per common share amounts:			
Net income	\$ 2.20	\$ 1.93	\$ 1.70
Dividends	.87½	.77½	.67½
Book value	10.17	8.98	8.19
Capital expenditures	\$ 206,331	\$ 158,830	\$ 136,971
Depreciation expense	85,524	78,833	70,245
Net property	923,520	759,708	726,697
Cash and short-term investments	\$ 405,255	\$ 346,485	\$ 310,642
Working capital	704,479	686,955	606,394
Total debt	540,588	463,413	448,676
Shareholders' equity	1,360,007	1,230,454	1,120,659
Average number of common shares outstanding	134,125,804	136,102,374	139,662,554
Current ratio	1.77	1.91	1.81
Debt/invested capital	28.4%	27.4%	28.6%
Pretax return on average invested capital	31.0%	30.5%	29.0%
Return on average shareholders' equity	23.3%	22.6%	21.0%

Restatement:

Share and per share amounts for prior years have been restated to reflect the two-for-one stock split of the company's common stock that became effective September 23, 1985.

TO OUR SHAREHOLDERS:

Success, like adversity, presents special challenges. For Heinz in fiscal 1986, the principal challenge was a welcome one: to improve once more, as we have done time and time again, a long-term record of rising performance.

■ The table on the preceding page confirms how well we met this test. It summarizes our 22nd consecutive year of new records for financial growth. In doing so, it provides a most attractive background against which to consider the impact of a century-old turning point. Thus, a fair portion of this annual report has been given over to a review of Heinz today in the foreign operations that have spread ripple-fashion as the traceable consequence of a single sale made in 19th-century London.

■ These foreign operations function under a high degree of local autonomy. They give Heinz a series of solid foundations around the world in the form of companies perceived not as outposts

of an empire headquartered far away, but as independent, potent and enduring forces for good in their various home markets.

■ In telling the story, we have tried to retain a certain respect for history without falling into the kind of reverence that demands a tedious listing of dates and other statistics. The first duty of any written message, we know, is to get itself read.

With that in view, we have set down a scattering of artwork and text designed to engage the eye and entertain the mind while serving the purposes of memorability. So it is that you will encounter a rich variety of vignettes that, in sum, may portray where we stand in our foreign operations, and how we got there, more readably than any conventional discourse could do.

■ The results for fiscal 1986 lead us to one sure conclusion: carefully cultivated, success breeds more and more success.

That this is true can be seen in a quick review of the past decade. During that time, our gross profits, which help to fuel our marketing mechanism, more than tripled, while our gross profit margin in relation to net sales escalated by 34%. In the latter half of the decade, our market capitalization more than tripled and total

return to shareholders—the sum of reinvested dividends and appreciation in the price of the stock—more than quintupled.

At the start of calendar 1986, the adjusted price of one share of Heinz stock was just over four times the price at the start of calendar 1981. This can be taken as a silent tribute from members of the investment community, whose judgments influence the fortunes of all those who have entrusted their savings to Heinz.

■ A good portion of the credit for this record must be directed to the managers of our subsidiary companies, who have hewed to the guidelines set forth by World Headquarters in calling for cut-to-the-bone economies and enhanced productivity. They have made an indispensable contribution to the new culture embodied in our low-cost-operator approach. At the same time, they have acted humanely in carrying out the imperatives of that approach as it affects those in our employ, knowing that every tree must be

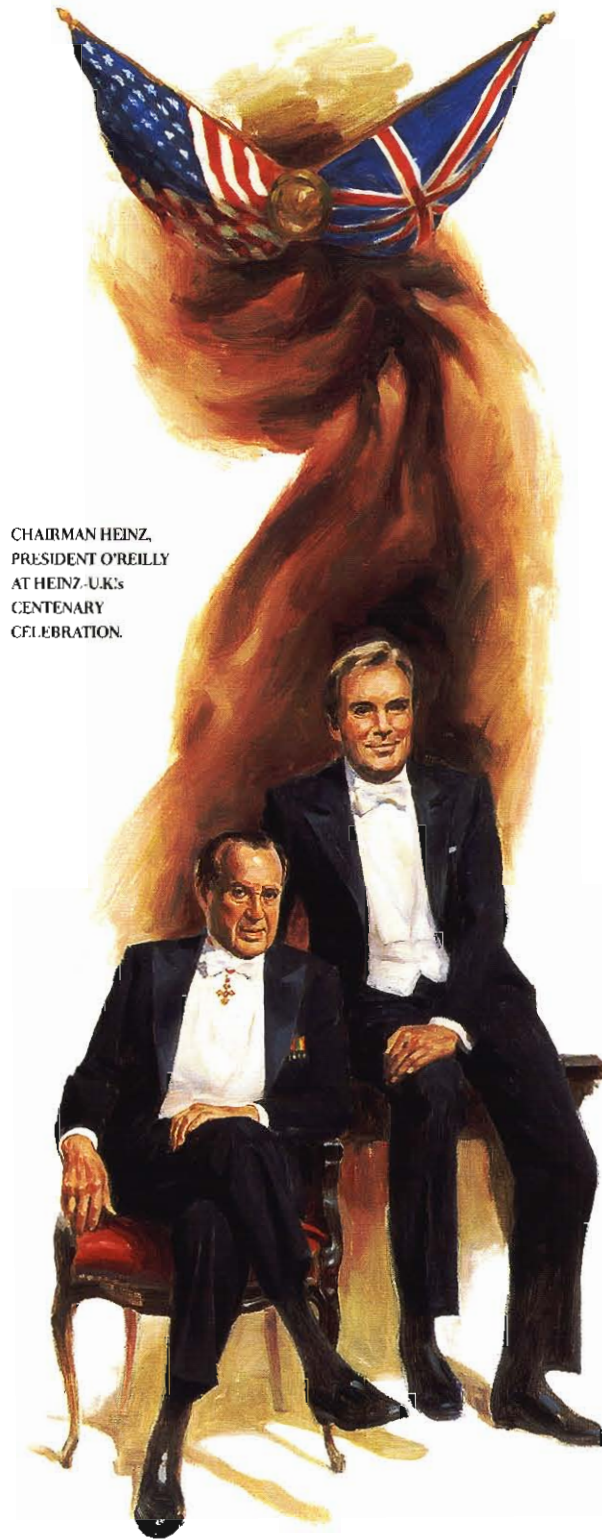
pruned from time to time in order to promote its continued health and growth.

■ Another part of the credit for our success can be traced to a policy of substantial investment as we refuse to let funds lie idle when they could be put to profitable use.

In marketing, for instance, we have cut the bonds that might restrain the timid, for experience tells us that in this highly competitive business, to stand still is to lose ground. This explains the rising level of expenditure detailed on page 5. Such expenditure has produced rewards for the company in two key areas.

While recognizing the glamour that attends the introduction of successful new products, we know that we must not relax in defense of our established brands. The wisdom of this course was proved once again when Heinz U.S.A. noted that its ketchup, a product more than 100 years old and sometimes suspected of being "mature," rose to new heights last year, bringing in more revenue than ever before and capturing more than half of the market for the first time in history.

CHAIRMAN HEINZ,
PRESIDENT O'REILLY
AT HEINZ-UK'S
CENTENARY
CELEBRATION.



Similar reports came to World Headquarters from a wide spectrum of our subsidiaries, whose products reached new highs in volume or in market share, or, most often, both. To name a few, there were baked beans, canned pasta and ketchup in the United Kingdom; baby food in Venezuela; canned tuna for humans and specialty canned food for pets made by Star-Kist; a range of frozen foods made by Ore-Ida; baby food, infant cereal, tomato juice and canned pasta in Canada; strained meats in Italy; and baby food, canned soups, beans and spaghetti in Australia.

■ At the same time, we recorded a massive outpouring of new products, distinguished by superior taste, convenience and nutrition.

Another sizable portion of our investments went toward enlargement and improvement of the facilities that have given us the most efficient

manufacturing capabilities in our history. Here again, as with our products, we may view the effort in terms of two categories: those now on line and those that are yet to come.

In the former category, we have such developments as the construction of storage space to handle the growing needs of factories in Ohio, California, Italy and Zimbabwe.

All across the Heinz world map, the high-technology Electronic Age was much in evidence, with computer-driven systems occupying center stage in a number of locations, from a "paperless" factory taking shape in Wisconsin to a large and sparsely populated manufacturing complex at Latina in Italy's mezzogiorno.

🍷 In the second of the two categories referred to above, entirely new factories were completed, under way or on the drawing boards in California, China, South Korea and Brazil.

Beyond these, we concentrated on the outright purchase of existing businesses, in whole or in part, an activity that has accelerated at Heinz in recent years. While we do not believe that

acquisition is always the proper route to follow, we do know that it can take us quickly and economically into market sectors and geographical areas where our entry might otherwise be considerably more difficult.

Certainly, the moves of the past decade have paid off well. For an expenditure of only \$370 million, we were able to acquire companies whose current earnings contribution, if valued at today's market multiples in the 15-18 range, would have a value of more than \$1 billion. In another mode of measurement, every one of those dollars grew into \$2.70 of current market value. Our ability to make these moves without the use of stock has protected shareholders against dilution of their investment.

We expect that some day in the not too distant future, we will be able to report comparable results for the investments made in fiscal 1986, notably those for Cardio-Fitness Corporation, a logical extension of our capabilities in health-related operations; Frutsi Alimenticia, which takes us for the first time into Brazil, South America's largest country; and a new venture in South Korea, whose economic vitality is front-page news throughout the free world.

🍷 All in all, we believe that we have faithfully advanced the vision displayed by the Founder of this company when he strode boldly through the door of a prestigious establishment on London's Piccadilly Street a century ago.

Finally, as we said earlier, we have learned that success, carefully cultivated, breeds more and more success. The words underlined in that statement call for close attention. To our shareholders, to our employees, to all who share in our fortunes, we pledge unwavering dedication to the policies and practices that have served us so well for so long, confident that this course will lead on to new and greater achievement.



Henry J. Heinz II

Chairman of the Board



Anthony J. F. O'Reilly

President and Chief Executive Officer

THE YEAR

MARKETING

Marketing, someone has said, should not be confused with selling. Marketing is what happens before the selling begins. It paves the way for selling. When it is conducted with intelligence and vigor, it multiplies the rewards for every ounce of selling effort.

The evidence of fiscal 1986 shows that Heinz carried out its marketing with great intelligence—in some cases, with brilliance. As for vigor, we boosted our marketing expenditures to \$348 million, about 15% greater than the year before and almost eight times the \$44.4 million level that was recorded in fiscal 1976.

With America's inflation subdued, Heinz U.S.A. had to summon all its skills to sustain a satisfactory return on investment. It adjusted to the development of "mega" stores and warehouse clubs, and figured prominently in the electronic

revolution that establishes links between suppliers and their customers.

The company's grocery sales of ketchup reached new heights in both dollars and cases. Sales of 28-ounce ketchup in the squeezable plastic bottle advanced and case sales of Instant Baby Food scored an impressive gain. Market shares hit record levels for a number of products, including some that captured or maintained leadership positions: ketchup, more than 50% for the first time in history; chili sauce, almost 60%; seafood cocktail sauce, 36%; and Worcestershire sauce, 26%. HomeStyle gravy sales grew by more than 15%.

In the foodservice arena, sales of single-serve ketchup set a new record. Vol-Pak ketchup rang up its 10th consecutive year of rising sales, while the smaller pouch pack, designed to replace #10 cans, more than doubled its volume.

The company conducted its most extensive campaign ever on behalf of reformulated Heinz 57 sauce, enlisting Vic Tayback, star of the hit television series "Alice," to plug the product with talk-show hosts and editors in 10 key cities.

Heinz U.S.A. formed a Specialty Products Division to concentrate on new lines with high

growth potential. Under its wing are such items as Instant Baby Food, Chico-San rice products, the Weight Watchers and Alba lines, HomeStyle gravies and a number of sauces.

Expanded activities took the form of introductions, additions to existing lines, and geographical extensions. Four new varieties joined the Instant Baby Food line. These are among the best-selling strained varieties on the market. The Chico-San rice cake range grew by four varieties, each with very low or zero sodium content. Under the Weight Watchers label, Heinz U.S.A. launched two frozen desserts and three flavors of the frozen novelties on sticks known as Fruit Juice Bars. It extended distribution of Weight Watchers double fudge across the country. New Alba Fit 'n Frosty double fudge drink mix appeared throughout the U.S.

Saver Size juice for babies took on two more flavors. For the diet-conscious, Heinz Lite

ketchup, with only half the calories and one-third less salt than the traditional recipe, advanced from test markets to national distribution. Six-packs of private-label soup under the Great American name targeted the growing warehouse club market with four of the most popular varieties.

For convenience stores, whose foodservice volume continues to rise, Heinz U.S.A.'s pouch pack ketchup addressed the demand for bulk condiments. Traditional steak sauce broke out of its Northeast test market to cover the company's Central and Southern foodservice regions.

Star-Kist Foods improved its share of the canned tuna market to more than 36%, another record and more than the next two brands combined. The total market, driven by reduced prices, scored a 3.3% volume increase.

Volume was up also for the company's 9 Lives cat food, by 4% for the canned varieties, 49% for the soft moist Tender Meals and 41% for the dry Crunchy Meals.

For the specialty canned cat food market, whose annual volume is close to \$1 billion, Star-Kist acted to improve its 27% share by expanding the Amoré ultragourmet line to eight varieties and giving it national circulation after successful test marketing. Jerky Treats dog snacks

retained a commanding 28% share in a \$315.3 million market, supplementing the one-ounce and three-ounce sizes with a heavy-user six-ounce size in reclosable pouches.

The company noted a continuing "significant increase" in the total pet population, with cats, its primary target, expected to match dogs in the U.S. at 50 million each by 1990.

A line of Ore-Ida microwavable potato products passed market tests and appeared in more and more stores. Thanks to innovative recipes and packaging, they retain flavor and crispness without resort to conventional ovens or fryers. A new carton contains an insert that heats up when microwaved to crisp the contents.

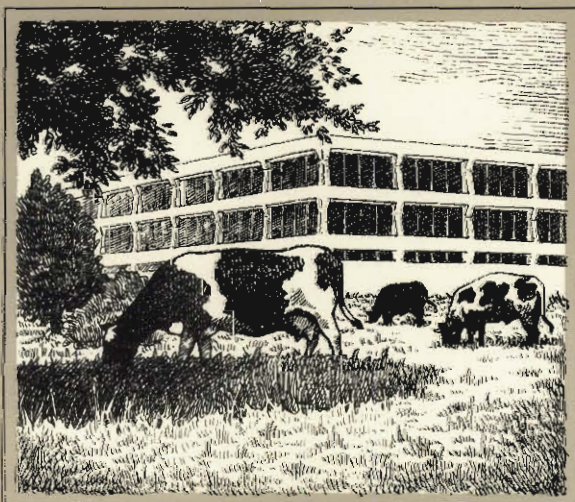
The company responded to the search for more healthful foods with Ore-Ida Lites, featuring reduced oil content. For its Onion Ringers, it reformulated the coating and redesigned the package for greater appeal. New Vegetable Crisp, a breaded and fried side dish, caters to a maturing population.

UNITED KINGDOM

The history-making steamer on our cover is The City of Berlin, one of the speediest of its day. On board as it sailed for England in 1886 were Henry J. Heinz, his wife, their four children and a sister-in-law. The ostensible purpose of their trip had been stated: to visit relatives in Germany, to show the youngsters the land of their paternal ancestors, to have them examined by the finest of the country's fine physicians. These things would be done, but Founder Heinz had too much of the salesman in his blood to go for very long

without testing his skills. In the hold of the ship were five cases of his company's products. These he drew upon when he went to visit Fortnum and Mason, an event described on the inside front cover of this report. Everything you read in these pages may be looked upon as a consequence of that triumphant occasion.

A Heinz-U.K. official visiting World Headquarters made this observation: "I look out of your windows and I see downtown Pittsburgh, tall buildings, busy roads, two rivers merging to form the mighty Ohio. Now, what do I see from my office at Hayes



Park? Trees, a gently sloping lawn, and on that lawn—cows. I think this tells something about the difference between us, but please don't ask me to explain what it means."

The photograph, often printed, has become part of the company's pictorial lore. It shows young Henry J. Heinz II in the 1930s, properly fitted with an English bowler hat and three-piece suit, standing in front of Norman

Bartlett's East London shop in his role as a commercial traveler calling on grocers under the pseudonym of "Mr. Henry." The disguise was generally effective. "Too bad they didn't have television then. I could have been in one of those commercials, holding up my credit card and saying, 'Do you know who I am?'"

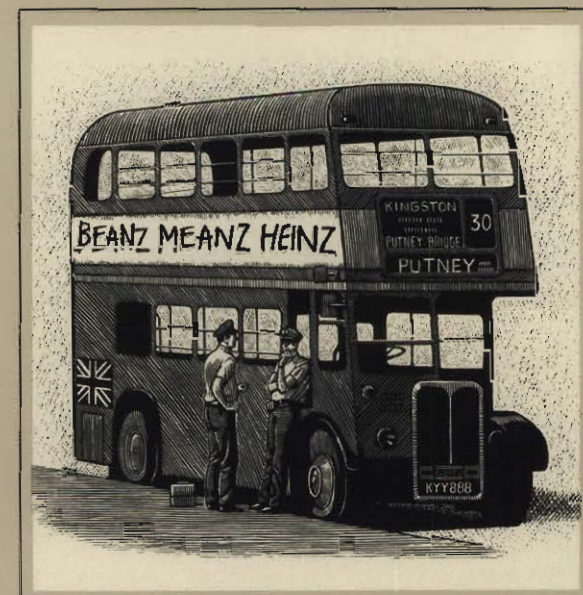
The salesman's life in Britain during the early days of the company was not unlike that of the American drummer around the same time. A letter written in 1913 from an outpost in Manchester gives some flavor of the period: "When I went on the road, we had to look the part: dark suit, stiff white collar, bowler hat, umbrella. We considered ourselves a cut above. I think we were.

"Grocers had sawdust on the floor and firewood stacked in the corner. Biscuits, tea, sugar and other dry goods were weighed out on brass scales. . . .

"We would offer samples to our

customers. Bottles, the glass highly colored, were conjured out of a protective green baize bag. We paid a Miss Burns 9d a dozen for making them up. The lady was born to stitch. She was our answer to your Betsy Ross."

During the course of two world wars, Heinz baked beans became an important source of protein for Britons. Their popularity persisted to the point where many consume them two or three times a day, starting with



breakfast. "Last summer, I was on a double-decker bus when my seatmate, a perky old thing with more rings, I'll swear, than she had fingers, asked me where I worked. I asked her whether she'd ever heard

of Heinz. 'Never,' she said. On and on I went, and finally I said: 'I'm amazed. I know Heinz is such an institution here that people laugh when I tell them it's based in a place like Pittsburgh, and you don't even know about it! With that, she turned around in her seat, winked at the people behind us, cocked her head and bellowed out: 'A million housewives every day open a tin of beans and say, Beanz Meanz Heinz!'"

An Ore-Ida manager offered this comment on the difference between a republic and a constitutional monarchy: "When we opened our new factory in Wisconsin, we had

two U.S. Senators, the governor, two mayors and a town chairman, all elected by the people. When you Brits opened the Kitt Green factory, you had Mr. Heinz and, sitting beside him in an open-topped Daimler, the Queen Mother. How proud we are of our democratic ways! How envious we are of your royal trappings!"

"In the hour of peril Howard Heinz earned the gratitude of the British nations... by the gift of four Spitfire fighters." Those words appeared on a plaque presented by the Ministry of Aircraft Production in 1940. They honored a man known for quiet good works, one who had led



a program of food relief for the ravaged countries of the Balkans and the Near East after World War I. He had paid for the Spitfires himself, long before his own country entered the conflict. The ships shot down six enemy craft during the turning-point Battle of Britain. Howard Heinz, second son of the Founder, took over the company's reins upon the death of his father in 1919 and held them until his own death in 1941. The last line of the plaque, taken from the Old Testament, might have served as his epitaph: They shall mount up with wings as eagles.

No history of the British company would be complete without mention of Charles Hellen. He was manager of the Boston branch when the Founder singled him out and dispatched him overseas as "the best man I've got?"

"The Magic Number; the Story of 57," written by Stephen Potter, author of runaway best sellers on "gamesmanship" and "one-upmanship," describes an early encounter between the two men. Mr. Hellen had been summoned to Pittsburgh to explain why Chow-Chow Pickle was selling for 12¢ a pound in Boston when it fetched 10¢ elsewhere:

"Well, Mr. Hellen. Why?"

"Because that is the correct price, sir?"

"But I sent you the

Massachusetts price list last month?"

"Not the correct one, sir. I am the only man who could possibly know the correct price for Boston, sir. If you price it lower, my customers won't buy any more, sir, they'll probably buy less. Boston is not the State of Massachusetts, Mr. Heinz...?"

"Perhaps it was at that moment that Henry J. Heinz recognized, in that passionate countenance, the face of a man who could turn a tin of baked beans into a casket of gold.... Sentence was pronounced: 'I have chosen Charles Hellen for England!'"

Half a century ago, says Chairman Heinz, "we literally called on every grocer in the land!" Salesmen had to collect accounts, investigate credit, trim windows, build displays in the stores. And then, after a long week of travel and work, they would spend their Saturday mornings in the stores, preparing and serving samples for customers to try. "And



we did it in style," says a veteran of those days. "A thermos flask for hot soup and a silver chafing dish for the beans. Silver, mind you. And it had to be spotless, shining. My wife didn't mind my being away much of the time. She didn't mind my working late on the accounts. What drove her silly was having to scrub up before and after those sessions?"



Ore-Ida is test-marketing Oven Roast foodservice potatoes marinated in beef flavoring. The company's potato skins are rated the best in the restaurant trade and have shown consistent increases in volume.

Foodways National registered strong increases in volume and operating income. It widened its opening into the \$3.5 billion frozen entrée category with eight extensions to the Weight Watchers line. These are tailored to the needs of the 35 million American women who use frozen meals and who have made a conscious effort to lose weight in the past year. As such, they have entered the fastest-growing segment of that fast-growing category.

Riding the new wave of enthusiasm for Hispanic dishes was a line of five Mexican entrées, placed in test markets that serve 40% of the U.S. Except for the double-serving burritos, all of the Weight Watchers entrées come in single-service compartmented trays or boil-in-bag packages.

Weight Watchers frozen desserts from Foodways remained unaffected by direct competition, with four new varieties being added

for both grocery and foodservice customers. Sales were up considerably over the prior year.

Candle Lite dinners, a premium-quality low-calorie offering, broke into test markets. The chef-developed entrées have become particularly acceptable among men.

Gagliardi Brothers made great strides in its movement beyond the quality Steak-umm line, test-marketing breaded beef and chicken items for the rapidly expanding market taking shape in frozen finger foods.

The Hubinger Company found extremely high demand for its products as competition intensified among major soft drink makers, all of whom now use its high fructose corn syrup.

Weight Watchers International scored solid gains in its U.S. operations: 15% in total class attendance and 20% in meeting fees. Enrollments were 2.6 million, for a 75% share of all attendance in weight-loss groups. Much of this was credited

to a new Quick Start Plus program. Some 1,500 companies with 250 or more employees each signed up for the At Work program.

Enrollments for Weight Watchers-owned classes in key European countries reached a historical high of 750,000, up by 25%. The total number of paid members was about 29% higher, and lecture income shot ahead by 52%.

The acquisition of Cardio-Fitness Corporation broadened Heinz's base in the field of health enhancement. The company is the leading source of cardiovascular fitness programs geared to the needs of business executives. Most of its services are sponsored by subscribing corporations on behalf of their professionals and managers, both male and female.

Heinz-Canada improved its earnings and its market shares, with advances in dollar sales and in tonnage shipped. A number of its shares represented new records: baby food, 92%; infant cereal, 53%; tomato juice, 35%; and canned pasta, 23%. In canned tomatoes, it doubled its share.

The company made national launches of ketchup in one-liter plastic bottles and Chico-San rice cakes in eight flavors. It



CANADA 1912

Bylaw No. 422, it was called, ratified on November 16, 1908 by the town council of Leamington in the Canadian province of Ontario. It authorized the expenditure of \$10,000 to buy an old tobacco factory and make the building available to what a

local businessman called “the Heintz Pickle Company.” Approved by a popular vote of 551 to 18, the investment proved good for both parties: for the town, an economic shot in the arm; for Heinz, a berth inside the tariff wall of the British Empire. True, the company already had a presence in England, but England was

not much suited to the cultivation of the indispensable tomato. Leamington was surrounded by rich farmland in the famous “greenhouse of Canada.”

A few years later, the factory site was the scene of a strange and welcome

procession, with the horse-drawn wagons of some 200 growers in a line more than half a mile long, each wagon creaking under its load of tomatoes. Said the Leamington Post in a 75th anniversary supplement, “A giant in Canada’s food processing industry was in the making.”



unveiled two new flavors of Weight Watchers novelty bars, two new Toddler Foods for infants and two new flavors of its Sunny Delight fruit drinks. Three new varieties of Scarios soup, a child-oriented pasta product, entered test markets, and testing of Instant Baby Food spread from Ontario into the four Western provinces.

Heinz-U.K. strengthened market share to more than 42% for its tremendously popular baked beans, whose sales jumped 8.6% for still another record. Sales grew by 4% for canned pasta, whose market share remained constant at 64%, and Heinz ketchup advanced its market share by almost three points to an all-time high of 54%, with a 5% rise in sales.

Renamed after the old Slimway brand was dropped, Weight Watchers soups and dressings managed sales volume increases of 22% and 14%, respectively, in the second half of the year. Other items in the reduced-calorie line also met

or exceeded the goals set for them, with a major contribution coming from baked beans formulated without sugar and containing 25% fewer calories. Further good news is expected from the company's first chilled products, which easily slipped into the distribution channels that had been projected for them.

Invaders With Meateors, spaghetti shapes with meatballs in tomato sauce, positioned Heinz in the child-oriented market for pasta meals, fortifying a 68% share in "conceptual" products for the young. It joined Invaders and Haunted House, along with Invaders soup, which combined the company's much-favored pasta product with the top seller in the £275 million soup market. For the fastest-growing sector of that market, the company released a line of Classic premium-priced soups.

The countries served by the Central Europe Office, headquartered in Brussels, Belgium, gave Heinz another good year.

In the Netherlands, sandwich spread, an impulse item used as a covering for the traditional twice-a-day bread meals, offered consumers an alternative to the usual ham, cheese and sweets. It responded to higher media expenditures with a 20% sales increase.

Spaghetti, a combination of tomato sauce with Italian spices, appeared on Belgian grocery shelves as the basis for Bolognaise sauce.

West Germany's Nadler-Werke affiliate garnered 38% of the total market for herring products and 37% of the market for prepacked salads. A switch from pouches to the more convenient deep-drawn trays for herring in oil, one of the company's leading fish lines, stimulated favorable trade and consumer response, leading to higher sales. Twin-pack salads and real Matjes herring made by the natural fermentation process had a national roll-out. Presliced salmon in an evacuated foil pack, a seasonal item that peaks around Christmas and Easter, enjoyed a steep climb of 60% in sales.

In the face of Italy's declining birth rate and aggressive competition, Plada fought back with a powerful upsurge in sales of baby foods. The Nipiol brand's tonnage soared by 49%. In strained meats, the Plasmon, Nipiol and Dieterba brands secured a combined 91% share of a market that grew at an 8% clip.

CANADA

In its first year, Heinz-Canada processed about 15,000 bushels of tomatoes. A few years ago, the quantity had reached more than 200,000 tons. "That's tons, my friend. We used to talk about bushels. What next? Kilotons? Don't bet against it!"

Even with its new tomato paste facility, the country's largest, it would be impossible to process that volume except over a period of time. Accordingly, a vast "farm" of storage tanks spreads alongside the factory. "Every time I look, it seems like there's a dozen more. Where will it end? Going south or east, we get our feet wet in Lake Erie. North, it's Lake St. Clair. West, state of Michigan. You might say we're boxed in."

In a nation of only 25 million or so, Heinz-Canada sends out an amazing assortment of products, almost 400 different kinds and sizes, from pickles and



beans to vinegar and spaghetti. Baby foods and cereals, which the company began processing in 1934, represent about one-third of the total and more varieties in all than any other Heinz company in the world can offer. A marketing woman says: "If you've had kids, and I've had a few of my own, you know how choosy they can be, so the trick is to get them the best and to try around till you find what they will accept without making a horrid mess. We take

good care of our little ones, we do. Maybe that's because we need more of them. You people in the States pack in about 65 people to the square mile. We have only seven, which makes a lot of territory to be filled up for those who have the inclination to help in the job."

At one time, when automation had not yet reached the stratospheric levels of today's Canadian factory, when much of the work was done by hand and many of the hands were women's, dust caps and Mother Hubbard gowns were the standard costume on



the production lines. A veteran employee says: "I have lived through it all. I have seen the dust caps and those shapeless dresses, I have even seen miniskirts, and believe me—well, you might not believe me, but I can tell you, I wouldn't vote for the first of those."

More than any other food, baked beans have been the staff of life in military mess halls. As such, they were often the subject of fond derision. Not so, however, with an RAF airman stationed in Red Hills, India in 1944. In a letter to a friend at Heinz-Canada, written while sipping "something which carries the courtesy title of beer," he said: "When I've finished this letter I'm going to buy a can of Heinz Beans and have a feast.... To the rank and file of the services in India, the name Heinz is invested with an almost holy significance, as the never-fail provider of palatable, as distinguished from merely edible, sustenance."

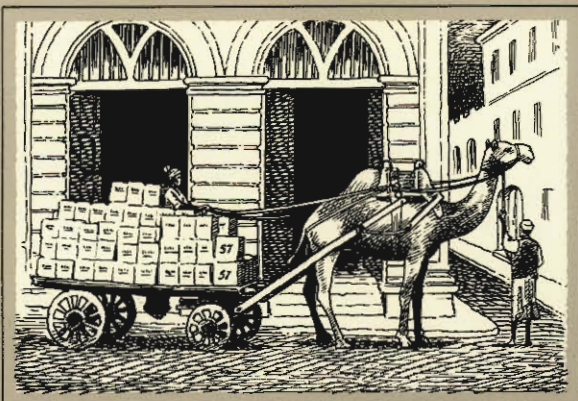
In the heart of downtown Leamington stands a most unusual landmark, a visitors' center in the shape of a tomato. "It was my first time in the town, so I went in to get a map. When I asked

38% of all the tomatoes grown in Canada for processing. There are 1,200 tomato growers here in western Ontario, working about 30,000 acres of tomatoes. That's upwards of 45



about the building, this is what the woman behind the counter told me, speaking practically nonstop: 'You're in the home of the Heinz factory, and Heinz buys

square miles, about a third more than all of Toronto. Canada used to be totally dependent on foreign countries for tomato paste, and now, much thanks to your people at Heinz, we're not! She stopped for breath, looked me square in the eye and said: 'So what kind of building would you have put up? A rutabaga?'"



A few years ago, an editorial in the Windsor Star praised Heinz for a large-scale expansion program at the Leamington factory, which it hoped would “turn out to be the model for further renaissance of the domestic processing industry and make some serious holes in a food import bill that currently runs to \$1 billion a year in Ontario alone.” Much progress has since come in that direction. Indeed, Heinz-Canada has always run a brisk export trade, to Africa, the West Indies and elsewhere.

A 1938 newspaper photograph shows a cargo of Heinz case goods on a flatbed truck pulled by a patient camel and parked in front of a store in Karachi, then part of

India and now the largest city in Pakistan. Foods prepared at Leamington, the caption says, “are sold in practically all parts of the world and every conceivable means of transportation is used in making deliveries.” The paper does not define “conceivable.”

Approximately 30% of Canada’s citizens trace their ancestry to France, so that both French and English are official languages. This entails a

bilingual approach in marketing that covers print and broadcast advertising, in-store material and a wide range of printed matter, including labels. For Heinz-Canada, the matter is usually handled with ease. Ketchup aux tomates is readily understood, as is jus de tomates, promoted with the slogan une gorgée de nature (roughly, a swig of nature, especially appropriate for the many Canadians who like to mix their tomato juice with beer). When the company came out with a plastic ketchup bottle, however, its scholars had to dig for the French equivalent of a word sometimes applied by admirers of the female



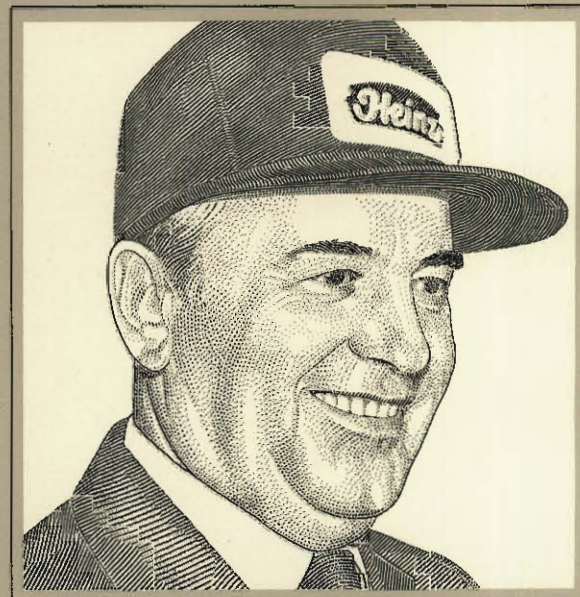
form. What they came up with was comprisable—translated as “squeezeable.”

Two Heinz retirees sent in their recollections. Leonard D. Crimp, who started as a salesman in 1925, once thought he had a bargain when a customer paid off with 30¢-a-dozen eggs. At the company warehouse, he found another five crates of eggs—all bartered at four cents a dozen. “Sometimes it was harder to collect than to sell!”

Ian MacPhail, born four years before Heinz-Canada’s founding in 1909 (and still “shooting his age” on the golf course), once had to guard the secret of a spice used in cream of mushroom soup, but was forced to reveal it to a customs officer. “The secret spice was the same one you can buy in the grocery store today—Accent?”

A supervisor at the Leamington factory recalls the 1983 visit of a 51-year-old Russian who had been making a whirlwind tour of farms in southern Ontario. The visitor came to the Heinz installation with Eugene Whelan, president of the World Food Council of the United Nations, formerly the country’s Minister of Agriculture. “The two of them put on their Heinz hats and posed with

some Heinz products. We like to think The Man From Moscow might have been impressed enough with what he saw of how we do things that he’d be a little more kindly inclined toward the capitalist way. After he left, our people wrote a report, and one thing they said was, ‘He is the youngest member of the Politburo and there is much speculation that he may be a future



leader of the Soviet Union? Mikhail was his first name, which you must pronounce the right way: Mee-ha-eel. Last name Gorbachev?”

In the dietary-therapeutic field, characterized by extremely high margins, Plada clung to a 60% share for low-protein products and 90% for gluten-free products. Other shares were 18% for whole wheat biscuits and 84% of an emerging market for whole wheat pasta.

Outstanding gainers were Plasmon biscuits, Sprint milk modifiers, Misura crackers and Misura biscuits, whose volume measured in terms of tonnage grew in fiscal 1986 by about 9%, 30%, 9% and 7%, respectively.

Fratelli Sperlari, the confectionery subsidiary based in Cremona, effected volume rises of 28% for chocolates and 31% for candies in bags. It unveiled Cioccotondi, chocolate balls with light sugar crusts and soft fillings, and targeted the entire population from the age of four upward with such extensions as Walt Disney toffees for the preteen set, numbering more than eight million, and I Musici, candies in attractive boxes

containing musical devices, for the 10 million or so adults known to prefer chocolates when selecting gifts and for the 30 million who need to be persuaded that candy can be as personal as flowers or books.

Heinz-Australia established a modern record when its market share of baby food crested at 78%. Other leading shares were 57% in canned soups and 67% each in beans and spaghetti, where the company recaptured superiority despite sizable inroads by generic products.

A major launch put Natural Fruit Fingers into a quickly expanding number of test markets. This snack for youngsters, which is made without added sugar, has been hailed by the dental profession. Also new were a number of soup varieties, issued to comply with a company dictate that the line must be constantly freshened; Invaders, a pasta in "Space Age" shapes; and Souper Stock, a base for the preparation of homemade soups.

The Greenseas operation, functioning under strong competitive conditions, improved its market share for canned tuna to more than 33%.

The Stanley Wine Company's cask product wrapped up a record share in the Sydney market. Combined with strong positions in the states of

Queensland and Victoria, this placed Stanley among the top three sellers for those areas.

The company's SL Cooler, a combination of white wine and citrus juices, more than tripled its expected sales and positioned Stanley with two other producers sharing leadership in a booming but fragmented market. This performance justified the decision to buy a 60% share of Beverage Packers Company, which makes the drink for Stanley.

Heinz Japan upped its sales by 12% without raising prices. A thorough reformulation of spaghetti meat sauce for the foodservice trade helped to move the product out of a flat period and promises to expand its 13% share of this fast-growing segment. Shares hit 55% for white sauce and 79% for demi glace sauce. Two new sauces entered the line near the close of the year.

The company's first products in retort pouches, 13 varieties in two sizes, gave foodservice customers precise portion control and greater ease of preparation. Semi-moist cat food imported

AUSTRALIA 1934

Aboard the train rolling toward Canberra on that auspicious day in 1934 was Henry J. Heinz II. Pondering his mission, he looked about for a seat—and came face to face with history when he made the acquaintance of Prime Minister Joseph A. Lyons and the cigar-waving Attorney-General Robert G. Menzies.

Soon they were deep in conversation. Later he would report a successful start on his assignment: to find the most favorable location for a Heinz factory

in Australia. The state of Victoria was the recommendation, and Victoria it eventually proved to be.

Change the scene to 1955. Heinz-Australia is dedicating a spanking new factory in Dandenong. One of the speakers is Mr. Menzies, now himself the country's Prime Minister.

"I will never forget that journey on the train," he says, that "cross-examination by a very young, highly intelligent American."

Referring to the first product out of Pittsburgh in 1869, he exclaims:

"Horseradish! Who ever would have thought that something of this kind could have grown from horseradish!"





from the Star-Kist Foods subsidiary entered three of Japan's major metropolitan markets, taking a 44% share in the Tokyo area and an 18% share of the national market.

Olivine Industries met with a good reception for its new Skyline laundry soap, a lower-cost item that fared well without cutting into sales for Olivine's market-leading Perfection brand. It relaunched Melva pure vegetable cooking fat in a more convenient form that helped to increase sales of the product by 300%. Perhaps most promising of all for the company's future was the launch of Heinz baked beans locally manufactured from Michigan pea beans locally grown. So significant did the company consider this development, referred to as "the coming of age of Heinz in Zimbabwe," that it made a formal presentation of the first can to the country's Prime Minister Robert G. Mugabe.

Venezuela's Alimentos Heinz reported that its powdered beverages, in terms of return on investment, had doubled the original appropriation figures. Its baby food finished

the year with a record high market share of 58%.

The company completed its first full year under license from General Foods for production and distribution of Tang, which is known locally as Manzanita, and Kool-Aid.

Frutsi International began operations to expand outside its Mexican base of origin for Frutsi, a nutritional soft drink for children.

The Puerto Rican franchise boosted its volume by 25% and extended distribution to the Virgin Islands and the Netherlands Antilles after test marketing in major areas of Venezuela.

In a joint undertaking with Brazil's leading producer of citrus concentrates, Frutsi Alimenticia has begun construction of a factory in that country and expects to begin selling before the end of 1986.

The Caribbean Restaurants subsidiary, which operates a chain of Burger King outlets in Puerto Rico, enlarged its dessert menu, expanded its salad bars and strengthened its breakfast trade. The unit extended its business into the island of St. Thomas.

Idal chalked up strong shares in Portugal:

30% for peeled tomatoes, 37% for tomato pulp and 57% for ketchup. It made a national launch of tomato pulp in one-liter and 0.2-liter containers, with no competitors in the larger size and only two in the smaller.

In China, where Heinz-UFE was rushing its baby food factory to completion, officials were heartened by demand for instant cereals imported from the Plada subsidiary.

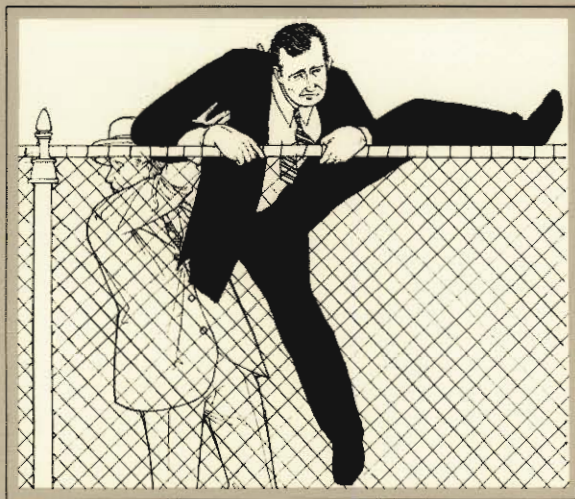
FACILITIES

Heinz in fiscal 1986 enlarged its already vast complex of facilities, applied to them the discipline inherent in what has become known as the low-cost-operator philosophy, and put them to work more efficiently and productively.

Heinz U.S.A. undertook construction of a new factory in Gridley, California for its Chico-San subsidiary. Thanks to a tilt-up design specified by the company's own engineers, the highly automated facility began turning out rice cakes

AUSTRALIA

Heinz-Australia's first manufacturing structure was a converted piano factory in the town of Richmond, Victoria. One of the first employees to work in that building tells how it was discovered: "Jack Heinz was never one to take another's word for it, so he went to see for himself. Figured anything that would take the weight of pianos would take the weight of canned goods, although,



come to think of it, you can't palletize and stack pianos the way we do with our cases of cans. Or so I believe. But I digress. Anyway, Jack went out to the place. The only trouble was, it was a Saturday, and everything was shut up tight, and no one was there to let him in. Or so he thought. Up and over the fence he went. I see him still, that spry young fellow wearing a business suit, not quite the outfit for the job. No sooner on the other side

than up comes this caretaker, a rather severe fellow. Jack, with his American accent, had the devil of a time talking the man out of a call to the police. Now here's

something not everyone knows: that caretaker was Alex Crowe, and Alex Crowe had a son, Len Crowe, who became general manager of manufacturing operations at the time we opened the Dandenong factory. Which proves what the poet fellow said: God moves in a mysterious way His wonders to perform."

When the Dandenong factory opened, it was the most modern food processing installation in the Southern Hemisphere. "The Southern Hemisphere, you say. That leads me to a great advantage we have at Heinz. As you know, our seasons are turned around, so that when you in the States are plowing through the winter snows, we're sporting on the summer beaches. This means, in effect, that our outdoor season for research



purposes is two times as long."

Thomas D. Smyth, president and chief executive officer of Heinz-Canada, made much the same point in a statement released for publication several years ago: "We do our own research in Canada. This is not to say that we close ourselves off from what's happening elsewhere, just as others welcome whatever we can pitch into the pot. For instance, we do genetic research on tomatoes.... If we find a strain that looks as though it's going to make it, we ship the seeds to Australia and let them grow the plants during our winter. They will then ship the seeds back to us, so that we get a faster start on the whole thing. People say you can't hurry Mother Nature, but we've found a way to put her on a two-shift basis."

Robert Morley, the English-born actor, has published more than a dozen books, written alone or with collaborators. A commander in the Order of the British Empire, Mr. Morley began his stage career in 1929 with a stint in "Treasure Island." At one point, he won the coveted role of Professor



Henry Higgins in Shaw's "Pygmalion." He turned to the screen in 1937, appearing in such films as "The African Queen," "Topkapi," "Song of Norway" and "Around the World in Eighty Days."

Now well into his seventies, he may be known best in Australia for his role as a television spokesman for Heinz. In countless commercials, he chided an unseen "Mr. Heinz" for being overly fussy about the quality of the foods he offered to the public. When Mr. Morley retired recently after a dozen years in the company's service, he was replaced by Penelope Keith, a 45-year-old star of the English stage and television. She has already helped Heinz to solidify its market position for soups, but one can almost imagine the portly Mr. Morley pursing his lips and saying: "Only 45? Do tell. A child, a mere child!"

With a much-frequented cellar door shop in Buronga, which is a prime vacation spot as well as the country's largest wine-growing area, the Stanley Wine subsidiary gets thousands of sightseers every year. After one of its men toured the Heinz-Australia factory, his host reported: "He told me of a galvanized-iron shed at Buronga that was of about the right proportions. To please the tourist eye, he had it decorated to resemble a giant wine cask. Later, I found him at the window, expressing the wish he could do the same to promote Stanley's wine in bottles. Across the way, right in his line of sight, was a smokestack.



I placed a hand on his shoulder and feigned alarm, saying, 'Surely, you can't be planning to come back here at night and put a cork in it!'"

Heinz products were well known in Australia long before the company began manufacturing there. Brought in by ship, they were speeded to grocers' shelves and soon carried off by consumers. Then, in 1935, a government ban

slammed the door shut on imports. An official guiding visitors through the factory says: "I suppose Heinz would have eventually started operations in Australia anyway, but this may have speeded the day. Back in Pittsburgh, the first product the company ever made, even before it was a company, was horseradish, and horseradish was the first product we turned out here in Dandenong. Now we're into everything, it seems. Look at those ketchup bottles flying down the line! Just think about what that means to the country, to all kinds of people—the ones who work in the factory where they make the bottles, the farmers who grow the tomatoes used to fill the bottles, the

kids who slather our ketchup on anything that's at hand, including their hands, which they then lick when no one is looking, and sometimes regardless of who's looking?"

Pending further development of the new ventures in China and South Korea, the Australian company has its part of the world pretty much to itself in terms of Heinz export

potential. "And export we do. Unlike the Atlantic, the Pacific is studded with heavily populated islands. Even Papua New Guinea has one-fifth as many people as we do, better than three million packed into one-fifteenth of our area, and their imports run more than a billion dollars U.S. per year. They're advancing rapidly, the new along with the old, and there's certainly a

market there for our convenience foods?" In proof, he offers a letter written to his wife by a friend just returned from a holiday in which one stop took her to the New Guinea Highlands: "You'd have been proud. I was in this store when a gentleman asked me where he could find Big Red. 'Big Red, Big Red,' he kept saying. With the help of a clerk, I found out what he meant and steered him to a display of your Heinz tomatoes, and that was exactly what he wanted.

"Oh, did I mention his costume? Lack of it, really. All kinds of decorations, something through his nose, earrings, drinking gourds, but quite a bit more of him showing than concealed. I'd have been taken aback if I'd run into him out in the wild, but in that setting he struck me as just another shopper looking for the best for his family."



and other products less than 10 months after ground was broken for it. The project created 56,650 square feet of manufacturing, warehouse and office space on a 10-acre site that affords ample room for expansion.

An expansion project at the Fremont, Ohio factory added 32,000 square feet, including warehouse space, offices, newly equipped quality assurance laboratories and up-to-date lines for pouch pack ketchup.

New evaporators at the Stockton, California factory boosted tomato paste capacity by 48,000 tons and cut energy use by 20%. At the nearby Tracy factory, a 70,000-square-foot warehouse was completed in a record five months, in time for storage of the 1985 tomato pack.

In Holland, Michigan, grading equipment widely used in Europe for carrots was adapted for cucumbers. A novel system makes it possible to unload bulk refrigerated or machine-harvested cucumbers there, saving time for both Heinz and the growers who supply it.

The Pittsburgh factory achieved sizable savings on energy costs when it implemented a decision to replace gas with coal wherever practical.

Two added filling machines for single-serve ketchup pouches bring total capacity to 12 million units a day, enough to supply everyone in the U.S. with more than a dozen pouches per year.

At the factory in New Paltz, New York, added lines took over production of Apple Snacks, formerly co-packed, and supplemented production of Alba Fit 'n Frosty mix.

Star-Kist Foods proceeded at full speed with a large-scale expansion of its tuna cannery in Pago Pago, American Samoa. The project involves enlargement of the dock, an increase in cold-storage capacity and the installation of processing equipment to handle as much as 112,000 tons of raw fish annually.

A second line in Samoa and the addition of facilities at the Muscatine, Iowa factory will expedite conversion to two-piece cans for pet food.

All four of the company's factories have initiated shrinkwrap packaging for certain

products, cutting costs for labor, materials and handling. Work moved ahead on a more highly automated continuous process for tuna canning.

Ore-Ida Foods instituted an office automation system known as the Comprehensive Electronic Office, linking Boise, Idaho headquarters, all four factories and the research and development facility in Ontario, Oregon.

At the Plover, Wisconsin factory, a first-of-its-kind project for monitoring processing and quality control functions worked toward creation of a "paperless" factory and returned about one-third of the investment through savings in labor and energy costs in its first year. Even greater proportional economies resulted from a new storage building and a method for using heat recovered from boiler stack flumes.

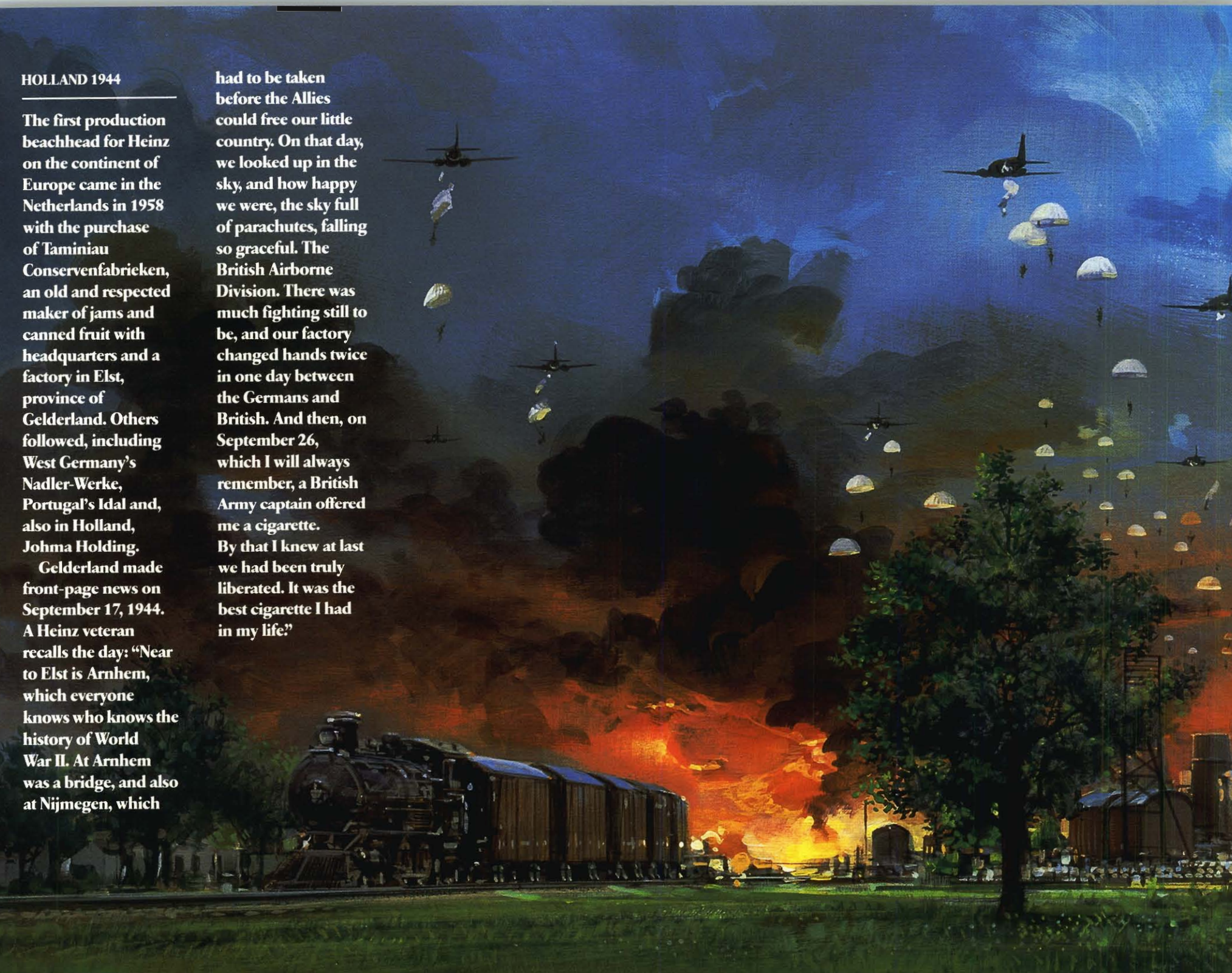
The Greenville, Michigan factory completed a major system to control the weight of packaged products, improved its cold storage refrigeration system and installed a new carton line. Steps taken at the Burley, Idaho factory concentrated on the warehouse and raw product docks.

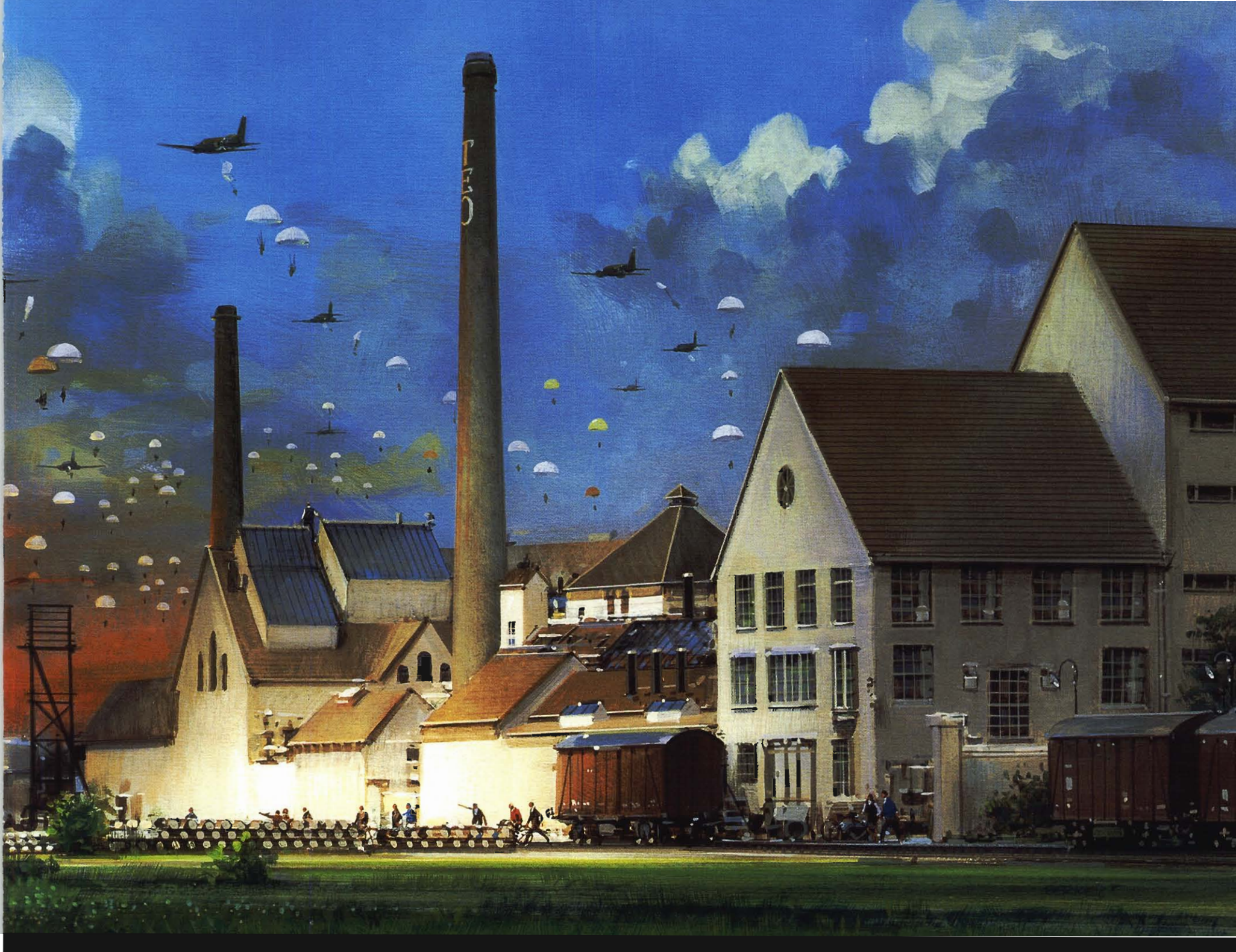
HOLLAND 1944

The first production beachhead for Heinz on the continent of Europe came in the Netherlands in 1958 with the purchase of Taminiau Conservenfabrieken, an old and respected maker of jams and canned fruit with headquarters and a factory in Elst, province of Gelderland. Others followed, including West Germany's Nadler-Werke, Portugal's Idal and, also in Holland, Johma Holding.

Gelderland made front-page news on September 17, 1944. A Heinz veteran recalls the day: "Near to Elst is Arnhem, which everyone knows who knows the history of World War II. At Arnhem was a bridge, and also at Nijmegen, which

had to be taken before the Allies could free our little country. On that day, we looked up in the sky, and how happy we were, the sky full of parachutes, falling so graceful. The British Airborne Division. There was much fighting still to be, and our factory changed hands twice in one day between the Germans and British. And then, on September 26, which I will always remember, a British Army captain offered me a cigarette. By that I knew at last we had been truly liberated. It was the best cigarette I had in my life."









VENEZUELA 1960

Among those who pooled their recollections to paint a picture of the circumstances attending the establishment of a subsidiary in Venezuela were two of the chief actors in that drama: Gerald K. Warner, first president of Alimentos Heinz, and William A. Siegmann, sent to take charge of procurement there.

"San Joaquin was down on its luck, very small, very poor. At one time, it had enjoyed a modest prosperity, since the highway went right through the town, bringing truckers and other sources of business." "And then disaster

struck in the form of a new autopista, a high-speed expressway that bypassed the area." "When word got around that a big food company from the United States was buying about 72 hectares of Hacienda Cura, well over 150 acres, and would be opening its doors to hire workers, both men and women, it was like a jolt of electricity kicking a cardiac patient back into life." "I will never forget the parade they staged to celebrate the opening of Alimentos Heinz, the bright peasant dresses, the cars with their horns blaring, and flowers, flowers everywhere. I have seen carnival in Rio and Mardi Gras in New Orleans and Chinese New Year's in San Francisco. This may have been smaller, but to my way of thinking it had more of genuine and heartfelt joy in it than all of those put together."

At the Ontario, Oregon factory, additional corn processing and packaging equipment boosted mini-cob production by 51%, while manufacture of microwavable products got under way and the variety of products for the Japanese market grew. Ontario developed a system that removes shortening from unusable product and one that raises capacity for recovery of starch.

Foodways National added capacity at its Massillon, Ohio factory with a boil-in-bag line that facilitated conversion to microwave trays and minimized inventory build-up and the need to write off obsolete materials. A revised layout at the Wethersfield, Connecticut factory warehouse led to a 24% efficiency-in-use increase and doubled average capacity for cases of finished goods. In the factory itself, extra lines increased capacity for casserole items and for sauces.

Investments at the Gagliardi Brothers West Chester, Pennsylvania factory served to accelerate

the start of a dramatic series of product ventures outside the long-established Steak-umm line. Taking advantage of enlarged capacity, Gagliardi accepted the transfer of meat production operations from Foodways.

In Keokuk, Iowa, The Hubinger Company emphasized savings in energy costs through a new coal-fired boiler and a facility for unloading coal barges next to the factory.

The need for more space to accommodate its growing business prompted Weight Watchers International to move its headquarters to a larger site in Jericho, New York.

Heinz-Canada raised storage capacity for tomato paste at its Leamington, Ontario factory by about 12% when 27 more units joined its vast spread of tanks. An upgrading of storage and receiving facilities, along with a centralized material-handling system, was near completion by the end of the year. Work began on relocation and enlargement of the factory's palletizing equipment. On the manufacturing side, Heinz-Canada used an automated case-forming system to expedite conversion of ketchup pouch production to a "cold-fill" basis.

Heinz-U.K. forged ahead with a five-year program to cut operating costs by 40%. A major element of that program is the installation of five systems to fill cans at the rate of 850 per minute each. At the Kitt Green factory, the company launched the world's highest-capacity packing systems for certain products, with two lines that label cans at the rate of 1,800 per minute each.

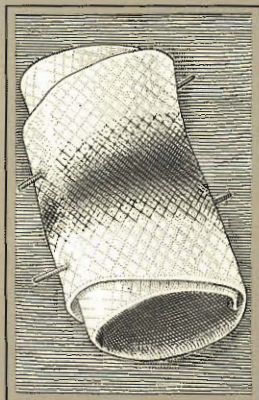
Rated similarly high in capacity were two pasta lines brought in for the Harlesden factory's new sterilizer hall. Harlesden also started up facilities for production of ketchup in plastic packaging.

The Central Europe Office put a high-speed ketchup bottle line into its factory in Elst, the Netherlands. Among the features there are speed control and "state-of-the-art" ingredient preparation, transport and packaging equipment.

In Italy, Plada pursued the implementation of "Logistica '85," its contribution to the Heinz worldwide productivity drive. Improvements

EUROPE

The acquisition of Nadler-Werke by Heinz in 1979 paid off in gains for both parties. Nadler, West Germany's leading manufacturer and marketer of quality chilled salads, fish marinades, sauces and condiments, and other delicatessen products, won an elevated potential in European export markets and a sales force strengthened by the addition of key Heinz personnel. Heinz enjoyed a technological boost from Nadler's expertise in preservation by chilling and achieved



access to a highly detailed distribution network in this prosperous market.

One of Nadler's best-selling offerings is the rollmop, a herring-based appetizer that sets mouths to watering all across the north of Europe. A letter from a subscriber to a newspaper in Hamburg expresses the common sentiment: "Without our beloved rollmops, it would be no use to go to the table. They say the greatest resource of the North Sea is the oil that lies beneath its waters. I say it is the blessed herring."

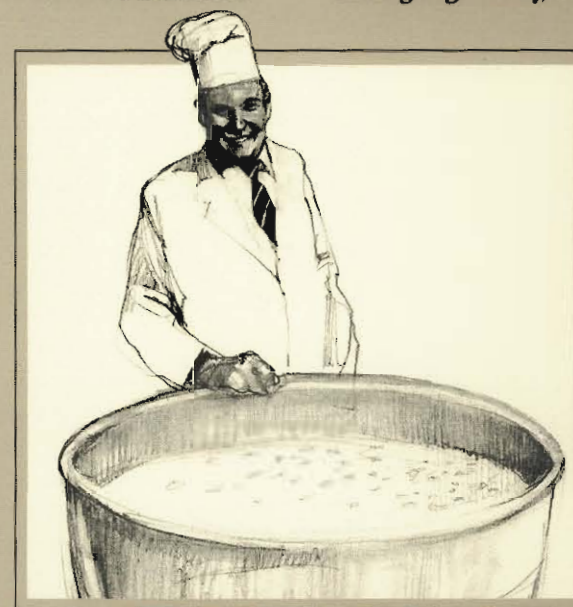
Planning for the Nadler acquisition came to a climax in the courtyard of the famed Mannheimer Hof Hotel. On one side of the table sat a high-ranking officer from Heinz World Headquarters; on the other, the British unit's

manager for exports to western Europe. If the latter was nervous, that could be understood.

"The papers were flying about like feathers from a torn pillow. When I reached for them—calamity! Over went the bottle. The wine was red. The officer's suit was white. For me, the finish, I thought. But he never lifted his eyes from what he was writing. Just said: 'Call the waiter for another bottle. We have more important things to worry about!'"

"I like that spirit of we're-in-this-together-so-let's-get-on-with-it. I see it in those delivery trucks that carry both names, Nadler and Heinz. Don't know which to use? Just use both and let's get on with it."

By its purchase of all the shares of Johma Holding in 1984, Heinz came into possession of Holland's foremost producer of chilled salads and Europe's most modern factory for that purpose. Johma, which also held a leading share for sauces, with about one-third of the market for



each product, brought with it a brisk export business, primarily to the United Kingdom and Belgium.

Along with Johma came its owner, Johan J. Schreur, who had started the company in 1968 at the age of 29. When he agreed to

stay on, a business associate of many years' standing applauded what he called Heinz's good sense: "Your Founder began in the family kitchen. Johan and his wife were not so lucky. They had to move out the car and make their first chilled salads in the garage. Today, it is

In 1964, when Heinz added what is now known as Idal to its roster of companies and the Gulo name to its roster of brands, the transaction had more than the usual implications. Portugal had never produced enough tomato product to send a single can beyond its borders. Heinz came in with agronomists and other experts, who conducted crash courses in every phase of operations from field through factory. Within half a dozen years, according to a source quoted in a company publication, "Portugal had become the world's foremost exporter of tomato paste.... This from a country that has half as many people as California, which is also not small in tomatoes."



done in shining big vats in that spotless factory. Maybe this was the purpose to build such a big success—to get the car back in the garage."

LATIN AMERICA

"Here's a picture of Miguel Hernández, one of our drivers, as he finished first in the Caracas marathon. I'm 'into' sports, and I was delighted to find when I reported in at Alimentos Heinz that they're so supportive of employees who take part in athletics. Venezuelans



are like us in many respects—and quite different from us in many others.

"I guess every new Heinz company abroad has to go on the premise that the world's a big place and most of it isn't American. When we

decided to bring out tomato juice, we handed free cans to the workers in the cafeteria—and stood bug-eyed when every one of them emptied the juice into a glass and stirred in two tablespoons of

sugar. Americans like it salty. Venezuelans like it sweet.

"The lesson is that you can't go wrong if you find out what consumers want and then give it to them, which is what we very quickly did. Or you can offer them what you think they ought to want, in which case you are very soon 'stone cold dead in the market.'"

"She has not too much English, so I will be the interpreter. All right. Her name is Paula Maria Herrera. When she was 20 years old, she already had two children and no husband. She had seven people for dependents and one was a retarded sister. So one day she hears an American company is hiring people, both men and women.

"She comes to the factory at five o'clock on a Sunday morning. Early, she thinks, but many others are already there. Hundreds. Out of these, the people



of Heinz take only 12. She is one....

"To make the story short, she is now a supervisor, she has been a supervisor eight years, both men and women. She says the men are much easier to handle. She says she will never be like her parents were, she will never be dependent on her children. One of her children has worked for Heinz. The two oldest children have graduated from college. She has an expression that makes the Americans laugh no matter how many times she says it: Only in Venezuela!"

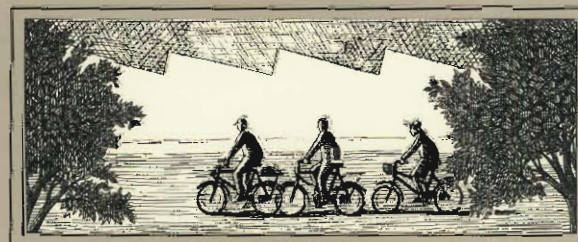
"There it was, like a letter from home: a Burger King restaurant, neat and bright, with a little playground alongside. 'That's one of ours,' my companion said. He explained: there are dozens of them in

Puerto Rico, all run by Heinz in a licensing arrangement. 'I could tell you we're doing it because we believe we should put ourselves in our customers' shoes, and some of our biggest customers are in the fast food business. And that would be the truth, but another part of the truth, an important part, is that these restaurants



turn in a nice profit for us on a continuing basis? I said something about how foreigners are taking to fast foods. At that, the little girl behind the counter drew herself up and said, 'Sir, you are in the U.-S.-of-don't you forget it-A?'"

"Reurtel #296: Important to consider bike parking for Heinz Brazil factory. Alimentos Heinz workers come by bike. Bikes everywhere. Almost run down this morning. Venezuela has plenty oil, so that not why, but many more two-wheels than four-wheels. Workers used to walk, come by jitney, bus. We installed payroll deduct scheme to buy bikes. Groundbreaking prizes for kids were mostly baseballs, bats, gloves. Dolls for girls. Main prize bike. You get the idea?"



on the baby biscuit and fruit juice lines at the Latina facility raised that factor by 25%. The Milan factory achieved a 15% gain thanks to a special room for preparation of dough used in baked goods. Other refinements are intended to strengthen productivity in Misura crackers by 35% and in Misura biscuits by 50%.

The “Cremona Project,” funded by one of Heinz’s largest investments in Italy in recent years, will give Fratelli Sperlari a highly automated warehouse, revolutionizing the candymaker’s order-handling procedures.

Heinz-Australia acquired high-speed labeling machines to upgrade three lines and spent heavily in order to attain greater productivity in tomato sauce filling.

The company drew up plans to renovate the three units in its recently acquired Robs Restaurants chain, located in Melbourne, and to seek out possibilities for extending the chain to other metropolitan areas.

The Stanley Wine Company furthered expansion of its new facility in Buronga, New South Wales when it consolidated equipment from its Clare site for better asset utilization and

for in-house manufacture of port wine in casks. Acquisition of a majority interest in Beverage Packers gave the company a new production center in suburban Melbourne.

Heinz Japan made a number of improvements at its high-technology Utsunomiya factory. Rotary retort production jumped by 17%. Introduction of a separate box-packing machine elevated work efficiency by 225% and brought with it a modest reduction in the need for cardboard material. The company was able to boast that its automatic packing machines, the first ever in Japan, had been rated as the most efficient in the world, as had its computerized palletizing machines.

Zimbabwe’s Olivine Industries wound up the second phase of its soap factory extension when it commissioned an evaporation plant, lifting capacity for that function by 66%. It approached completion of a 30,000-square-foot warehouse for storage of vegetable proteins at its Willowvale

factory and installed equipment there to produce steam by burning cottonseed hulls.

Looking to the future, Olivine bought land next to the cottonseed factory to enlarge rail, storage and handling facilities in anticipation of larger cotton crops. New equipment and the adoption of a superior methodology swelled the factory’s throughput by 75%.

In Venezuela, Alimentos Heinz erected a building to house a plant for production of powdered beverages at its factory site; finished ahead of schedule with considerable savings, the structure—recognized as the largest and most modern in South America—accommodated the changeover of production from a former subsidiary of General Foods.

Productivity went up by 35% for both ketchup and baby food as the result of greater capacity and a reduction in shifts, while a new line began rolling for production of tomato-based varieties in glass jars.

Groundbreaking for a factory to produce Frutsi soft drinks in a joint venture signaled Heinz’s first operating presence in Brazil, a base from which the company can explore possibilities for other opportunities in South America.

ITALY 1908

"Plasmon" is "a flourlike preparation" derived from casein.

"Plasmon" was the original name of the company that is Heinz in Italy today and provides the first two letters of the acronym by which it is now known: Plada.

Plasmon made its way into Italy when it was brought to the attention of a small group headed by Cesare Scotti, a 41-year-old physician. He it was who called a meeting in the Milan office of Federico Guasti, a notary public. Assembled there, in addition to Dr. Scotti, were Dr. Cesare Comotti, a chemist; Dr. Edoardo Borioli, a lawyer; and Guido Vercelli, who was to become the new

venture's sales manager. Together, they agreed on the formation of a company that would "exercise the trade of food products..."

The date was March 28, 1908. A photograph shows the two stiff-collared principals: the bearded Dr. Scotti, standing with a copy of the agreement as he approaches the conference table; Dr. Comotti, with his hair neatly parted on the left, parleying with an aide near the door. "These were what we Italians call 'uomini seriosi'. With such men, you do not take liberties. For sure, you do not say, 'Hi there, buddy' or 'You just look here, hot stuff!'"







mc nuttan

ZIMBABWE 1923

When Heinz sets down its history in years to come, a high point in the narrative landscape is certain to be its purchase in 1982 of a majority interest in Zimbabwe's Olivine Industries. This gave it a new production and sales base in Africa, a market with

more than half a billion consumers.

Olivine had its origins in 1906 when immigrant Harry Margolis set himself up as a grain trader in his adopted land. By 1982, it had become the country's leading maker of soaps, edible oils, margarine and candles. "To look at what we have now—for instance, one of the world's first constant-saponification plants—you would not believe what they used to stumble along with. Stores that were a patchwork of architectural styles: brick-under-tin, pole-and-mud under thatch. Goods carried headtopwise in baskets. In the 1930s, we were really 'mechanized': one Plymouth van, one three-ton Chev. The 'good old days'—ha!—these are the good old days."



Caribbean Restaurants opened four more Burger King outlets in Puerto Rico. It remodeled three others and added a number of playgrounds to encourage the family trade.

The Chinese baby food factory was formally opened in June of 1986.

Following the formation of Seoul Food Ltd., it was announced that a large-scale manufacturing complex in South Korea would be completed and production would get under way by the middle of 1987.

LAND AND SEA RESOURCES

At this time, as we observe the centennial of an event that was to start Heinz on its way into the farthest reaches of the globe, we are aware that our sources of supply, like our operations, are international in nature. We highlighted that fact seven years ago when we devoted our annual report to a word-and-picture account titled *The Search for Food*.

It is no less true today that we rely upon the gifts of this generous planet to keep our pipelines full, our factories humming. Neither are we content merely to cast about for existing sources. Through constant research, through the development of attractive contracts for suppliers, through the ever-growing sophistication of our processing facilities, we have been able to ensure an abundant flow of raw materials that meet the strictest standards of quality and to make the most efficient use of those materials for the superior products we offer to consumers.

Heinz U.S.A. reported that excellent weather in key growing areas had resulted in high-grade, high-yield crops of tomatoes and cucumbers.

At 28 tons per acre, California's average field yield for tomatoes was the highest in its history; Heinz growers averaged 33 tons per acre. The Tracy and Stockton factories totted up near-record figures for tonnage handled and length of season.

Growers in the area serving the Muscatine, Iowa factory also brought in the greatest field yields in their history. Heinz U.S.A. relieved pressure on its growers by taking their excess tomatoes whenever production schedules permitted.

A similar picture prevailed at the Fremont, Ohio factory, where tonnage of tomatoes processed hit a new peak. Arrangements have been made for additional acreage to serve both factories.

The company's joint research project with ARCO's Plant Cell Research Institute made further strides toward development of "super tomato" seeds for Heinz growers.

The Holland, Michigan factory had its best season ever in terms of crop utilization and quality of pack, meeting 100% of its quota despite a cool, wet planting season that forced some growers to reseed.

Special contracts for machine-harvested cucumbers brought about a great improvement in crop quality and cut the number of unusable culls by 15%. A bulk shipping program for cucumbers from North Carolina lowered transportation costs.

ITALY



The plaque on the shop where the company's candies were first sold shows a starting date: 1836. By Cremona's standards, that is not too long ago. The base for Heinz's Sperlari subsidiary in northern Italy was founded in 218 B.C. It became a scholastic center in the Middle Ages, and later the home of Stradivari and Guarneri and other renowned violinmakers.

"This history is always in our minds," says a native office employee, "and yet it does not blind us to the possibilities of the future. By this, I mean like our new warehouse. The lights are never on except for the maintenance times. What use? The computers run everything, and the computers don't need to see. A computer is just as happy in the dark."

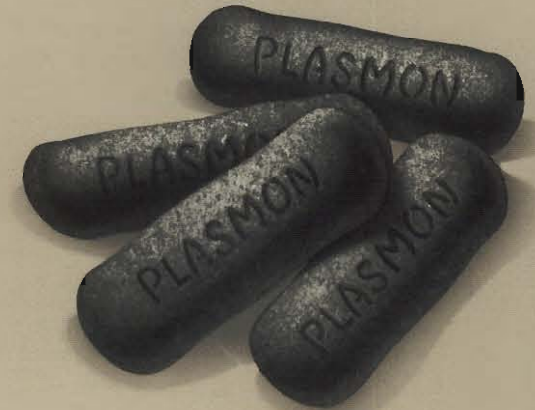
In Cremona's low-lying "skyline," a square clock tower rises above the rooftops. A woman explains: "The word for the tower is 'torrone.' 'Torrone' is also the word for the nougat candies which are made by Sperlari. How did this come to be? Well, in 1441 was the wedding of a local girl to a Milanese duke. A special cake was made, in the form of the tower. It was also with nuts and fruit, just like nougat. So every time you bite one of our delicious candies, you must think of the tower?" As the guest was leaving, she hurried after him: "What I forgot to say. The dowry received by the duke was Cremona. Some dowry!"



The newest of Plada's three major factories is in Latina, south of Rome and not far from the Tyrrhenian Sea. Its gleaming interior contains what may be the most advanced food processing complex in Europe, so sparsely inhabited that it almost seems to run without human intervention, so vast that some workers must move from post to post on wheels. "That man down there, beyond the ovens, I think it may be my uncle, but who can tell from so far a distance? You know by the racing how much we Italians love our bicycles. To be paid while we pedal is a double pleasure."

A number of features distinguish Heinz in Italy. Liven, a maker of eyewear, is the only Heinz unit that deals exclusively in nonfood products. Sperlari is the only Heinz source for candies. Plada, the largest Italian subsidiary,

markets some of its output through pharmacies. It is closely tied to the medical community, sponsoring conferences and seminars and serving as a clearinghouse for medical news. When Plada foresaw a sharp decline in Italy's birth rate, it made just as sharp a shift into new areas, but it was for years entirely devoted to foods for infants. "Our biscotti. They are dipped in milk and fed to the baby. You say that looks strange, but you Americans are famous to dip doughnuts in coffee. Doughnuts are soft. Our biscuits, not so much. You have teeth. The baby has gums. So now who is strange?"



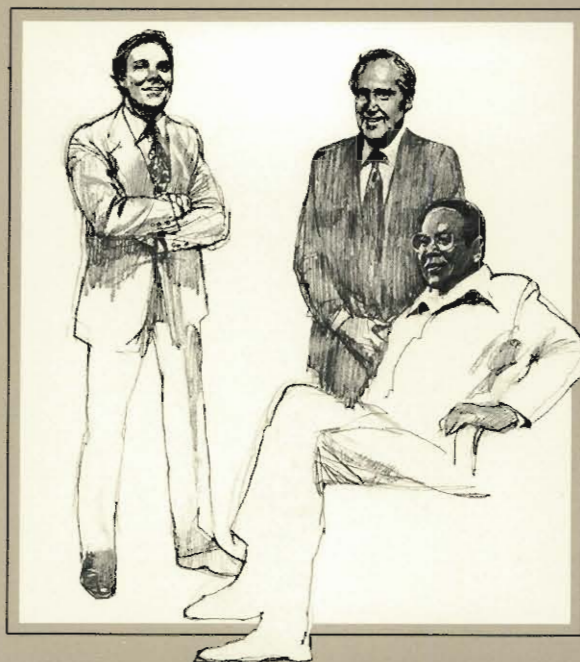
AFRICA

To the Western eye, we told our hostess, Africa presents two broad images: one of great natural beauty, the other of widespread poverty and hunger. "In Zimbabwe," she said, "there's much of the former and little of the latter. We have the Inyanga Mountains, almost two and a half times as high as the highest point in your Pennsylvania. Victoria Falls is wider than the two Niagaras combined, twice as high and, in my view, far more spectacular. As for the latter, the economic condition is better than in most of Africa, and rising. The people are generally well nourished, for which we

at Olivine can take some portion of the credit"

To Heinz, she went on, the Olivine connection has significance for supply as well as production. Years ago, Olivine spurred a rise in the soya crop from a meager 9,000 tons to more than 10 times that today, of which the company uses about 75%. Now it has fostered the cultivation of Michigan pea beans, with profound implications for export. And what about the domestic market? "Our first factory run of baked beans was 100,000 tins. It sold out in a week. Wouldn't you say that suggests more than just a wee bit of demand?"

Emily Dibb, wife of Olivine's managing director, has been a superb source of information, gathered through research, countless interviews and her own keenly observant eye. (On Chairman William Margolis: "His desk of dark polished imbuya is compact and beautifully made. There are two bookcases, a map of the



world and a hat rack. At any hour of the day, one may encounter him in his shirtsleeves and narrow-brimmed cloth trilby.")

Born in Bulawayo, a "half-savage little town" in the southern region of Zimbabwe, "a friendly place where everyone knows everyone else's business," she still regards that as her home and its Matabele natives as her people. We see her autographing one

of her two published novels for an American visitor. She calls his attention to a framed photograph: Prime Minister Robert G. Mugabe, seated, flanked by Heinz's president and its chairman.

"Many people had grave misgivings about the change of government, but their fears proved groundless. The years since Independence have been marked by leadership of a very high order by Prime Minister Mugabe." Her eyes light up as she brings clasped hands to her chin.

"These are happy times, exciting times!"

Olivine Industries was run for years by a tightly knit band of relatives and friends, some of whom agreed to stay on when the company joined hands with Heinz. One of those is Harry Goldwater, a "blue-eyed dreamer-philosopher" who joined Olivine in 1939 and is now its director-sales and marketing. "That Harry, he could sell icicles to a snowman. When he started, he would disappear into the bush, gone. No word would come. In one place where he had to be, there was no bridge, only a pontoon to cross

the Zambezi. Cars would fall off, people would be eaten by crocodiles. How we would worry. Then suddenly, after months, like an avalanche, in would come dozens of orders, no message how he was, just orders, ship quickly!"

"Wherever I stopped," Harry Goldwater now says, "that was home. The whole of Zimbabwe was my home." He gained a reputation for drama, welcomed everywhere as much for his personality as for his merchandise. "When I showed my customers a new line in toilet soap,



I didn't show it to them in my hand, or in a carton. I would put one bar, just one bar, in the center of a velvet cushion. From this I got a title: 'The man with the crown jewels! I was pleased?'



Experiments conducted with two Midwestern universities during the harvest season will improve evaluation of cucumbers before and after processing.

Heinz U.S.A., still enlarging its growing areas for tomatoes and cucumbers, and bent on perfecting its handling methods and planting schedules, foresees excellent prospects for more record crops, with no critical shortages of ingredients in the near term. The company believes its attention to plant strains and to planting and harvesting techniques will protect it during periods of either oversupply or shortfall.

Notwithstanding predictions of a world shortage of fish, Star-Kist found supplies plentiful as weather and oceanographic conditions favored fleet operations in almost every area. Some U.S. competitors encountered sporadic shortages, but Star-Kist's more comprehensive and balanced procurement network spared it that problem and made it possible, in fact, to report a surplus of raw (frozen) tuna throughout the year.

Concerned about the continued economic deterioration of the U.S. fishing fleet, which still furnishes about 50% of Star-Kist's light meat

supplies, the company pointed to significant progress in negotiations between the U.S. government and Pacific island states for access to fishing grounds.

In a year that brought an abundant crop of fresh potatoes, Ore-Ida Foods placed strong emphasis on control of defects. To minimize the problem at its source, the company organized a program under which growers attended a seminar on reduction of potato bruises during harvesting and then had their equipment inspected so that adjustments could be made. The company and participating growers shared in the expense of the program, which was conducted by a team of private consultants and which proved so successful in speeding the harvest, with less dirt and fewer bruises, that it will be offered to additional growers in the contract area.

Foodways National perfected a planning system that sharpened the timing of orders for ingredients at the Massillon factory, making for better control of in-house inventories.

Gagliardi Brothers predicted significant savings from a successful effort to develop a source of partially defatted chopped beef.

Heinz-Canada secured its full tomato tonnage, but unusually heavy precipitation led to slightly lower solids yields. This was countered by the increasing effectiveness of the company's research, which spurred an overall improvement in raw tomato utilization and in the percentage of solids obtained. Tomato transplants from Georgia continued to be the mainstay of Canadian requirements, with shipments from North Carolina helping to extend the growing season.

Heinz-Canada, joined by the country's National Research Council and the Ontario Vegetable Growers Marketing Board, set off on a major program of biotechnology research at the University of Guelph. The work will be carried out by the company's Agriculture Department and will focus on the screening of tomato varieties that can tolerate cold weather. The ultimate goal is to achieve earlier planting or later harvesting, or both, in order to lengthen the processing season.

Heinz-U.K. found packaging materials and major ingredients—notably, navy beans and





CHINA 1984

On September 14, 1983, at the company's annual meeting of shareholders, Heinz President and Chief Executive Officer Anthony J. F. O'Reilly spoke these words:

"I believe that the events of the next 18 months will show you that your company has an exciting program of new product development and territorial expansion that will be the most intensive in the company's 114-year history."

Thirteen months later, on October 16, 1984, he posed for photographers in Guangzhou as he wielded a shovel to

break ground for a new baby food factory to be built in the People's Republic of China. Heinz-UFE, a joint venture between the company and two provincial organizations, was on its way to the sound of applause.

"You can interpret the picture a lot of ways. I imagine Tony O'Reilly spading away but looking up for new worlds to conquer. Derek Finlay, our senior vice president with responsibility for the new unit, really has his back into it. Roy King, our area director-East Asia, stands off a bit to the side, which fits his behind-the-scenes role in helping to bring this about.

"I think Tony takes very seriously what Henry J. Heinz said when he said, 'Our market is the world.' And I suspect when Tony says it, he means he wants all of it"

vegetable oils—once more in surplus. Coupled with a decline in the American dollar, an abundance of crops lowered the company's costs for supply. Officials believe Portugal, which has in the past met much of Heinz-U.K.'s needs for tomato paste, will re-emerge as a major source now that it, along with Spain, has become a full member of the European Economic Community.

The picture was mixed in Europe. The Dutch company paid less for fuel and for some packaging materials, thanks to the oil glut and the dollar's weakness. In Germany, on the other hand, Nadler-Werke encountered extremely high prices for soya oil, its major raw material, and for pollock, the fish used in making "mock salmon."

Plada cited superb results for its co-operative livestock venture, which has grown by 50% to 3,000 head of cattle and now supplies 40% of the Italian company's veal requirements.

Heinz-Australia and its Stanley Wine subsidiary benefited from outstanding yields for the two crops most important to them: respectively, tomatoes and grapes. A healthy flow of tomatoes

into the Dandenong factory produced optimal processing conditions.

The decision to turn to world fish resources gave the Greenseas tuna operations a highly favorable cost situation in spite of the downturn of the Australian dollar.

Zimbabwe had another good rain season in its primary growing area, but a shortage of raw materials kept the oil factory running at less than capacity. Despite this, Olivine Industries viewed with optimism a great increase in demand for vegetable oil, holding the prospect that renewed supplies would send the business booming again.

Even more encouraging was the initial success of growing trials for Michigan pea beans planted in Zimbabwe's soil and climate. This development has deep significance for both the country's supply of protein and its export potential.

Alimentos Heinz pushed the development of local sourcing for raw ingredients and packaging material as the Venezuelan government kept strict control on imports. It continued research on tomato varieties best suited to the country's tropical climate, an effort that has steadily lifted quality both in the fields and at the factory. Other research dealt with experimental growing

of apples and with methods for processing Venezuela's abundant supply of tropical fruits.

Idal reported that weather conditions in Portugal were poor for the growing of gherkins. Beans, too, were in short supply, but the country's entry into the Common Market was expected to increase the availability of tomatoes.

PUBLIC SERVICE

Doing Well by Doing Good: so reads the headline over an essay in a recent issue of a national newsmagazine. The essay speaks of five business school graduates who set aside high-paying jobs and summer vacations to raise funds for the handicapped. It accompanies an article that describes efforts to teach the human challenges of management, which a professor at one of the nation's leading institutions for the education of businessmen calls "gargantuan."

ASIA

The recent formation of Seoul Food Ltd. in association with a South Korean company completes the third side of the Heinz "Asian triangle," the other two sides extending from Japan and China. Officials lost no time as they ordered work to begin on a manufacturing complex that will enclose about six acres of floor space.

South Korea, with its population of more than 40 million

well-educated, highly industrious citizens, has one of the world's fastest-growing economies. "They are so eager to move up, to get ahead with it. Our interpreter was a woman in her mid-twenties. We'd give her a question to ask and she'd answer it herself. I kept pointing past the two flags on the table to our friends on the other side and saying, 'Ask them, ask them: What I came to realize was that she had so thoroughly boned up on the operation that



she was indeed qualified to answer directly. I don't wonder that much of the world worries about competing against people like that."

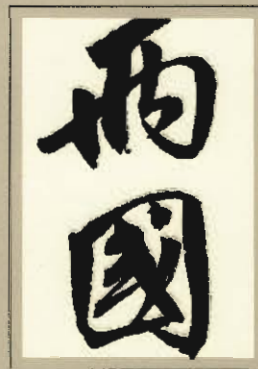


Among the products scheduled for manufacture at the new factory in China was a line of infant cereals. Even before the line appeared, Heinz tested the waters with varieties made by Plada in Italy and packaged in Pittsburgh. Consumer response, says a company marketer, was most encouraging. "It's not every outfit that can offer something before it's ready to make that something itself.

"The babies on the boxes—I've always found Chinese children irresistible. I guess maybe they do, too, there are so many of them, even with laws to curb excessive growth in the population.

"Years ago, Tony O'Reilly was giving off

signs that he wasn't content to have us reach 15% of the world's consumers. He was talking about the 85% we didn't reach. Now we have an opening into a country that holds about one-fourth of that remainder. This leaves us with a little over 60% of the total to go. Maybe we'll be sorry when we hit 100% and there are no more challenges like that, but I'm willing to chance it."



With three operations now anchored in three different countries of Asia, Heinz managers are more than ever exposed to a wide-ranging variety of markets and cultures. It has long been a practice to hire the best of each country's nationals for the

purpose, but this rubs up against another policy, one that requires a certain amount of movement from post to post so that people on the way up can gain—and share—as much experience as possible.

"I haven't had as much trouble as I thought I might," says one of those people. "At the groundbreaking, I managed to handle the mao tai used for toasting, a wine that must be a zillion proof. They poured it into the ground to drive out evil spirits. I'll bet it works.

"If anything's going to throw me, it might be the language. My Japanese secretary once explained about the kanji, those Chinese characters they use. She said a typical character has two parts: one to indicate the sound; one, called a radical, to indicate the class of meaning. I'm tickled by the four little feet used in the kanji for many animals, and it

makes sense to me in the case of horse (馬), but I'm flummoxed when I see the same four little feet in the character for fish (魚)."

Heinz products in Japan have adapted to an apparently insatiable bent toward Western cuisine. One of its best sellers is cream of corn soup, and pasta sauces reflect the love of Italian-style dishes. "Guess who's our new spokeswoman in television and print advertising. A cartoon character called Auntie Heinz. Speaks fluent Japanese, but looks as if she'd be more at home in the 19th century than this one, and a lot more at home in Peoria than she is in Tokyo."



SUMMARY

When Founder Henry J. Heinz died in 1919, the company's only domestic operation was the one known today as Heinz U.S.A. Since then, Heinz has added Star-Kist Foods, Ore-Ida Foods, Foodways International, Gagliardi Brothers, The Hubinger Company, Weight Watchers International, Frutsi International and Cardio-Fitness Corporation.

The only foreign units were those in the United Kingdom and Canada. They are listed below, along with those that have come since. Taken together, they represent an impressive picture of growth and beneficial influence in terms of useful employment under humane conditions, the physical well-being of consumers, the upgrading of natural resources, and rising standards of living in host countries.

UNITED KINGDOM
(Heinz-U.K. and subsidiaries)
Major product lines:
baby foods; soups; sponge puddings;

baked beans; pasta meals; prepared salads; pickles; salad dressings; ketchup; sauces; vinegar; mushrooms; 9 Lives cat food; Weight Watchers, catering ranges. Marketing areas: United Kingdom; Europe; Africa; Middle East. Registered trademarks: Heinz; 57; Ploughman's; HomeStyle; All Season; Classic Soups; Big Soups; Country Kitchen.

CANADA
(Heinz-Canada)
Major product lines:
tomato products; baby food; pickles; vinegar; beans; sauces. Marketing areas: Canada; Africa; Hong Kong; Japan; Far East; Caribbean. Brand names and trademarks: Heinz; Galco; Sunny Delight; Chico-San.

AUSTRALIA
(Heinz-Australia; The Stanley Wine Company; Specialty Foods; Robs Restaurants; Weight Watchers-Australia)
Major product lines:
Fruit Fingers; baby food;

baby cereal; baby juices; baked beans; tomato sauce; ketchup; mayonnaise; tomato juice; tuna; canned soups; spaghetti; salads; cat food; Weight Watchers broths, toppings and jellies; wine in casks and bottles; coolers; health foods; pickles; specialty imports. Marketing areas: Australia; New Zealand; Pacific Islands; Papua New Guinea; Singapore; Hong Kong. Brand names and trademarks: Heinz; P.M.U.; Green seas; 9 Lives; Seahaven; Frelish; 57; Big Red; Ploughman's; Stanley; Leasingham; Golden Days; Epicure; Bonfruit.

EUROPE
(Heinz-Holland; Johma Holding; Nadler-Werke; Heinz-Portugal)
Major product lines:
ketchup; sandwich spread; sauces; condiments; food-service products; fruit-related products; chilled salads; chilled marinated herring; chilled sauces; tomato paste; tomato purée pulp; gherkins in brine;

baked beans. Marketing areas: the Netherlands; West Germany; France; Belgium; Portugal; Austria; Switzerland; Italy; United Kingdom; Luxembourg; Iceland; Scandinavia; U.S.A.; Canada; Caribbean; Middle East; Japan. Brand names and trademarks: Heinz; TEO; Johma; Johmaitre; Veldfris; Elroy; Nadler; Türk and Pabst; Leiko; Guloso.

LATIN AMERICA
(Heinz-Venezuela; Caribbean Restaurants; Frutsi International; Heinz-Brazil)
Major product lines:
baby food; ketchup; tomato paste; spaghetti sauce; vinegar; 57 Sauce; Worcestershire sauce; Manzanita (Tang); Kool-Aid; Frutsi; condensed soups; fast foods. Marketing areas: Venezuela; Mexico; Puerto Rico; Virgin Islands; Netherlands

Antilles. Brand names and trademarks: Heinz; Frutsi; Burger King (under license from Pillsbury); Manzanita, Kool-Aid (under license from General Foods).

ITALY
(Plada; Sperlari; Liven)
Major product lines:
strained meats and fruits; formula milks; biscuits; milk flours and cereals; pasta; fruit juices; dry baby foods; milk modifier; juices; whole wheat pasta and bread rusks; sweeteners; low-calorie soft drinks; gluten-free products; low-protein products; sauces; milk-based and hard and soft candies; nougat; chocolate; fruit in mustard syrup; optical frames; eyeglasses; sunglasses. Marketing areas: Italy; United Kingdom; West Germany; Switzerland; Sweden; France; Malta; Middle East; Australia; U.S.A.; Dominican Republic; Japan; Canada; Hong Kong. Brand names and trademarks: Plasmon; Dieterba; Nipiol; Sprint; Punto; Idriz; Heinz; Sperlari; Sibille; Buonidea; Alfa Romeo (eyewear).

AFRICA
(Olivine Industries)
Major product lines:
vegetable oils; margarines; bakers' fat; soaps; candles; protein meals; baked beans; glycerine. Marketing areas: Zimbabwe; other countries in southern Africa. Brand names and trademarks: Olivine; Heinz; Helio; Soyola; Buttercup; Ricco; Jade; Perfection; Melva; Skyline; Luna; Olis; Chiffon.

ASIA
(Heinz Japan; Heinz UFE; Seoul Food Ltd.)
Major product lines:
condensed soups; cooking and spaghetti sauces; beef curries; rice cereals; high-protein cereals with and without fruit; cereal hoops in sweet and savory varieties; margarine; shortening; corn oil; edible oil; milk substitute; ketchup; mayonnaise. Marketing areas: Japan; China; South Korea. Brand names and trademarks: Heinz and phonetic equivalents; Seoul.

Such challenges have always been recognized at Heinz, and responded to with all the resources the company can prudently muster.

It is certain that Henry J. Heinz, were he alive today, would applaud the modern company's dedication to programs for the general good. Those programs extend into virtually every sector of public need, from culture and the environment to schooling and medical care. It is especially prominent in communities where Heinz has chosen to locate its operations, fulfilling an implicit obligation to meet the requirements of good corporate citizenship.

The H.J. Heinz Company Foundation made grants totaling \$4.2 million to 1,000 organizations. Of this, \$562,000 represented funds matching, on a two-for-one basis, contributions made by some 800 employees.

A list of beneficiaries reveals a wide range in terms of size and field: the College of Idaho, Pittsburgh Opera Theater, the Nutrition Foundation, the Simon Bolivar Foundation, the University of Wisconsin's Food Research Institute, the director of education for American Samoa, and many, many others.

Heinz U.S.A. continued a number of activities with which it has become closely identified. The program whereby funds are directed to children's hospitals in proportion to the number of baby food labels turned in to the company, with matching funds provided by the H.J. Heinz Company Foundation, netted almost \$250,000 for 93 institutions throughout the country. Donations of goods went to more than 250 food banks in the Pittsburgh area, which is still feeling the impact of widespread unemployment in steel and other heavy industries. The company's Food Aid and Food Subsidy programs again provided emergency supplies for the members of needy families in the area.

Other programs helped drug and rehabilitation centers, victims of floods and similar disasters,

the Sickle Cell Society, the National Hemophilia Foundation, and Circle C group and foster homes for troubled and dependent youths. Contributions of money and goods sent abroad helped in a Peace Corps program for building teachers' houses in Kenya, in measures against famine and disease in drought-stricken portions of Africa, and in support of Mexico City's inhabitants in the aftermath of a powerful earthquake that produced widespread devastation.

Star-Kist Caribe won a commendation from the government of Puerto Rico for a donation of funds to assist those rendered homeless by floods.

Ore-Ida made sizable investments in projects to improve the environment at its operating sites, including a secondary waste treatment facility at its Wisconsin factory and measures to control odors in the fields around its Michigan factory. It earned widespread praise for its contributions to physical fitness through sponsorship of such activities as the Women's Challenge bicycle race, an exercise course for public use and support of various athletic teams.

Two Ore-Ida manufacturing units gained special honors. The Burley factory, which has

137 disabled workers on its payroll, was named Idaho Employer of the Year by the Governor's Committee on Employment of the Handicapped. The Plover factory, which provides defensive driving courses for its workers and presents child-restraint car seats to salute the arrival of babies born to its employees, received the Wisconsin Governor's 1985 Highway Safety Award.

Foodways National's Massillon factory lent financial support to a multimedia program for finding lost children.

The Weight Watchers Foundation issued \$140,000 in grants to support research on obesity.

Heinz-Canada, working with the National Research Council, completed the first phase of a program to evaluate the diets and nutritional status of healthy senior citizens. Its research specialists joined with World Headquarters officials to study methods for improving nutrition and agricultural production in a number of other countries.

Heinz-U.K., in association with the World Wildlife Fund, announced a £1 million, three-year program of conservation to help protect endangered species and their habitats.

In Italy, Plada took part in the "Peace Ship" program to send basic necessities, along with

the vehicles needed to transport them, to relieve famine in the hardest-hit areas of Third World countries. Along with government and university bodies, it promoted conferences and study courses designed to foster the sharing of information in the broad medical community.

Its Scotti-Bassani Institute made available a computer complex to link more than 300 international data banks. At its Ozzano Taro site, the company connected surrounding communities to its factory's water-purification system, making "an unusual but significant contribution to social and environmental health."

HHeinz-Australia extended its support of the "Little Athletics" program, which ushers boys and girls through competitive races in its headquarters state of Victoria and sends them on to regional and national contests. Through its continuing publication of a journal that assembles data from Heinz sources around the world, it shared information on nutrition with local specialists.

In Zimbabwe, Heinz joined with five other American companies to help fund the construction of a medical clinic serving refugees from neighboring Mozambique.

Inspectors from Venezuela's Ministry of Health gave top scores in every category to Alimentos Heinz's San Joaquin factory for a waste treatment plant designed to protect the area's environment.

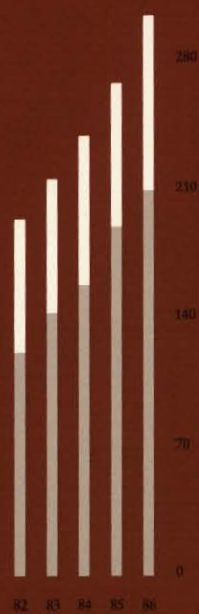
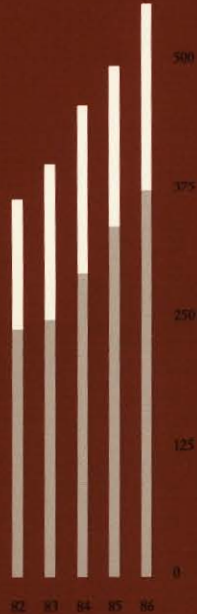
Caribbean Restaurants was one of Puerto Rico's chief contributors to the Muscular Dystrophy Association; Roberto Clemente Sport City, the island's largest athletic complex; and the Olympic Lodging, an installation whose counterpart is not to be found anywhere else in the Caribbean or in South America.

In the People's Republic of China, Heinz and two provincial agencies linked up for the establishment of an Institute of Nutritional Sciences, to be housed in Heinz-UFE's Guangzhou factory. Among the first activities scheduled for the new organization were an international symposium on maternal and infant nutrition and participation in a five-year joint project to train Chinese practitioners in nutrition and certain related disciplines.

FINANCIAL SECTION

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FINANCIAL CHARTS



Sales
(in millions of dollars)

■ Foreign
■ Domestic

Five-year compound growth: 4.1%

Operating Income
(in millions of dollars)

■ Foreign
■ Domestic

Five-year compound growth: 10.4%

Net Income
(in millions of dollars)

■ Foreign
■ Domestic

Five-year compound growth: 13.4%

Common Stock Price at Year End
(in dollars)

Aftertax Return on Invested Capital
(in percent)

Capital Expenditures and Depreciation
(in millions of dollars)

■ Capital Expenditures
■ Depreciation

FINANCIAL REVIEW

OPERATING RESULTS

In 1986, the company continued its historical growth trend, as net income and net income per share rose 13.4% and 14.0%, respectively, over 1985. These increases were fueled by strong volume gains and better gross profit margins; they were achieved despite a 14.8% increase in marketing expense.

Sales increased \$318.2 million, or 7.9%, over 1985, to \$4,366.2 million, with volume gains providing approximately 75% of the increase. Foreign unit growth contributed approximately one-half of the company's volume improvement, with nearly all foreign companies showing volume gains. These gains were complemented by the effect of a weaker U.S. dollar versus certain major foreign currencies, which provided approximately \$50 million of the sales increase. Domestic growth came primarily from tuna (partially offset by lower tuna prices), pet food, and Weight Watchers classroom and food operations. Hubinger's revenues declined because of lower prices for corn sweeteners. In 1985, volume gains throughout the company were partially offset by lower average exchange rates, especially those used to translate sales from the company's British operations.

The gross profit margin improved to 39.9% in 1986 from 38.8% last year and from 38.1% in 1984. This continued improvement reflects reduced raw fish costs at Star-Kist,

lower unit corn costs at Hubinger, volume growth in certain higher profit margin products and services, and the effect of company-wide cost-reduction efforts.

Marketing expense increased to \$348.0 million in 1986, from \$303.0 million in 1985, and from \$294.0 million in 1984. In addition to a continuing commitment to its major brands, the company spent heavily on new product initiatives, such as Instant Baby Food, Chico-San Rice Cakes and Amore Gourmet Canned Cat Food. Other operating expenses increased 8.6% in 1986, as selling and distribution expenses rose with increased sales volume. Other operating expenses increased 2.4% in 1985 and 3.6% in 1984.

Operating income increased 12.1%, benefiting from the sales volume gains and improved gross profit margins. The domestic companies, driven primarily by Weight Watchers classroom and food operations and by Heinz U.S.A. growth, contributed approximately two-thirds of total operating income in 1986, while providing over one-half of the increase from 1985. Overseas, Heinz-Italy further strengthened its leading market position, while Heinz-U.K. benefited from its emphasis on reducing factory costs, and a stronger sterling exchange rate. Double-digit local currency operating income growth achieved by Heinz companies in Canada, Australia and Zimbabwe, however, was nearly offset by declines in average exchange rates. In 1985, operating income increased 8.2% over 1984, with strong performances by Hubinger, Weight Watchers, Heinz-Italy and Heinz-Canada. These performances in 1985 were partially offset by a \$24 million adverse effect of lower average exchange rates, especially for sterling.

Interest expense increased \$5.1 million, or 9.7%, to \$58.0 million, following a 13.8% rise in 1985. This year's increase reflects the effect of higher average borrowings for the year, partially offset by lower interest rates.

In addition to including recurring non-operating items, other income and expense includes certain unusual non-operating items that, by their nature, fluctuate from period to period. This year's amount includes \$19.0 million of loss provisions, primarily for redundancy-related costs at Heinz-U.K., and the write-down of Star-Kist Canadian tuna inventory. Charges for loss provisions in 1985 and 1984 were \$22.5 million and \$23.7 million, respectively, with the charges in 1985 partially offset by a \$6.1 million nonrecurring gain, resulting from a debt exchange. Also included in other income and expense is interest income of \$36.6 million in 1986, \$33.4 million in 1985, and \$30.5 million in 1984.

The \$197.6 million provision for income taxes in 1986 resulted in an effective tax rate of 39.6%, compared with an effective rate of 40.3% in 1985 and 41.0% in 1984. This year's tax rate reflects higher investment tax credits, as well as lower effective rates within the company's offshore operations.

Net income rose 13.4% in 1986, reaching a record \$301.7 million, while net income per share increased 14.0%, from \$1.93 to \$2.20, in the same period. Domestic companies contributed 69.0% of consolidated net income in 1986, while providing 70.8% in 1985 and 65.5% in 1984. Foreign net income increased 20.6% to \$93.6 million in 1986, from \$77.6 million last year, and from \$81.9 million in 1984. This year's amount includes redundancy-related costs at Heinz-U.K. and the write-down of Star-Kist Canadian tuna

inventory, partially offset by a \$5 million favorable effect of higher average exchange rates. In 1985, foreign net income reflected higher redundancy-related costs at Heinz-U.K., as well as an \$11 million adverse effect of lower average exchange rates.

Common dividends paid to shareholders increased \$11.9 million to \$117.4 million, reflecting the September, 1985 increase in the quarterly dividend rate from 20 cents per share to 22½ cents per share. The 22½ cent per share quarterly dividend rate in effect at year end results in an annual payout of 90 cents per share, which approximates a 41% payout ratio on current year's earnings.

LIQUIDITY AND CAPITAL RESOURCES

Return on average shareholders' equity improved for the eighth consecutive year, reaching 23.3% in 1986, from 22.6% last year and 21.0% in 1984. Both pretax and aftertax returns on average invested capital also improved in 1986, with pretax return increasing to 31.0% from 30.5% and aftertax return increasing to 18.7% from 18.2%.

Total funds provided from operations in 1986 covered the company's operating and dividend requirements of \$330.4 million. Capital expenditures increased 29.9% to \$206.3 million in 1986, compared with \$158.8 million in 1985 and \$137.0 million in 1984. Support for growth-related expansion and for productivity improvements at existing facilities was accelerated in 1986.

In the third quarter of 1986, the company completed the common stock repurchase program begun during the fourth quarter of 1985. Under the program, four million shares were purchased at a total cost of \$107.5 million. During the third quarter of 1986, a new program was begun, with the intent to purchase up to four million additional shares of common stock. As of year end, that program was approximately 25% complete. The company intends to reissue repurchased shares upon exercise of stock options and conversions of preferred stock and convertible debt. The stock repurchase programs contributed to the \$50.5 million increase in current debt.

Total debt rose by \$77.2 million, while cash and short-term investments increased by \$58.8 million, resulting in \$18.4 million of additional "net debt." The debt to total invested capital ratio increased to 28.4% from 27.4% in 1985. As of April 30, 1986, the company had \$192 million in unused lines of credit, which are maintained primarily to support domestic commercial paper borrowings and are renegotiated annually. Seasonal cash requirements generally are financed through commercial paper borrowings for domestic operations and through bank loans for foreign operations.

SEGMENT AND GEOGRAPHIC DATA

The company is engaged principally in one line of business—processed food products—which represents over 90% of consolidated sales. The following table presents information about the company by geographic area. There were no material amounts of sales or transfers between geographic areas, and no material amounts of United States export sales.

(in thousands of U.S. dollars)	Domestic	Foreign				Total	Worldwide
		United Kingdom	Canada	Western Europe	Other		
1986							
Sales	\$2,764,815	\$576,249	\$285,928	\$492,275	\$246,910	\$1,601,362	\$4,366,177
Operating income	371,004	63,907	42,063	49,380	24,767	180,117	551,121
Identifiable assets	1,724,593	363,006	149,712	412,425	187,628	1,112,771	2,837,364
Capital expenditures	114,722	49,238	18,753	14,320	9,298	91,609	206,331
Depreciation expense	58,519	9,257	5,523	7,487	4,738	27,005	85,524
1985							
Sales	\$2,661,700	\$458,889	\$281,734	\$398,363	\$247,259	\$1,386,245	\$4,047,945
Operating income	336,933	48,700	41,357	36,332	28,155	154,544	491,477
Identifiable assets	1,591,130	263,025	146,836	293,462	179,321	882,644	2,473,774
Capital expenditures	97,695	25,047	15,629	8,165	12,294	61,135	158,830
Depreciation expense	56,042	6,943	5,199	6,132	4,517	22,791	78,833
1984							
Sales	\$2,555,368	\$521,855	\$248,927	\$382,250	\$245,361	\$1,398,393	\$3,953,761
Operating income	290,830	57,271	39,413	32,749	33,858	163,291	454,121
Identifiable assets	1,482,308	256,819	119,489	297,905	186,449	860,662	2,342,970
Capital expenditures	82,373	22,038	10,656	8,154	13,750	54,598	136,971
Depreciation expense	47,738	7,218	4,702	6,232	4,355	22,507	70,245

STOCK MARKET INFORMATION

H. J. Heinz Company common stock is traded principally on the New York Stock Exchange and the Pacific Stock Exchange, under the symbol HNZ. The number of shareholders of record of the company's common stock as of June 23, 1986 approximated 28,100. The closing price of the common stock on the New York Stock Exchange composite listing on April 30, 1986 was \$41.

Stock price information for common stock by quarter follows:

	Stock Price Range	
	High	Low
1986		
First	\$28 ³ / ₈	\$22 ⁵ / ₈
Second	29 ¹ / ₂	25 ⁷ / ₈
Third	34 ¹ / ₄	28 ¹ / ₄
Fourth	44	30 ³ / ₈
1985		
First	\$19	\$16 ¹ / ₄
Second	21 ¹ / ₂	17 ³ / ₄
Third	22 ¹ / ₂	20 ¹ / ₂
Fourth	24 ¹ / ₂	21 ¹ / ₄

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

(in thousands except per share data)

Consolidated Statement of Income:

<i>Fiscal Year Ended</i>	<i>April 30, 1986 (52 Weeks)</i>	<i>May 1, 1985 (52 Weeks)</i>	<i>May 2, 1984 (53 Weeks)</i>
<i>Sales</i>	\$4,366,177	\$4,047,945	\$3,953,761
<i>Cost of products sold</i>	2,622,239	2,475,505	2,446,220
<i>Gross profit</i>	1,743,938	1,572,440	1,507,541
<i>Operating expenses</i>	1,192,817	1,080,963	1,053,420
<i>Operating Income</i>	551,121	491,477	454,121
<i>Interest expense</i>	57,956	52,821	46,417
<i>Other (income) expense, net</i>	(6,163)	(6,647)	5,449
<i>Income before income taxes</i>	499,328	445,303	402,255
<i>Provision for income taxes</i>	197,594	179,325	164,725
<i>Net Income</i>	\$ 301,734	\$ 265,978	\$ 237,530

Consolidated Statement of Retained Earnings:

<i>Amount at beginning of year</i>	\$1,380,425	\$1,220,227	\$1,077,294
<i>Net income</i>	301,734	265,978	237,530
<i>Cash dividends:</i>			
<i>Common stock</i>	117,351	105,489	94,210
<i>Preferred stock</i>	227	291	387
<i>Amount at end of year</i>	\$1,564,581	\$1,380,425	\$1,220,227

Per Common Share Amounts:

<i>Net income</i>	\$ 2.20	\$ 1.93	\$ 1.70
<i>Cash dividends</i>	\$.87½	\$.77½	\$.67½

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

(in thousands)

Source of Funds:

<i>Fiscal Year Ended</i>	<i>April 30, 1986</i>	<i>May 1, 1985</i>	<i>May 2, 1984</i>
Net income	\$301,734	\$265,978	\$237,530
Depreciation and amortization	91,400	84,721	75,925
Deferred taxes	31,986	43,281	34,949
Other items, net	(19,330)	3,505	(13,750)
Funds from operations	405,790	397,485	334,654
Long-term borrowings	40,363	58,207	14,237
Exercise of stock options	24,367	9,761	7,197
Total funds provided	470,520	465,453	356,088
Capital expenditures, net	203,671	151,285	128,509
Common stock repurchases	131,832	11,564	135,571
Dividends	117,578	105,780	94,597
Reduction of long-term debt	13,680	81,334	38,896
Other noncurrent assets	10,104	18,421	(7,230)
Increase (decrease) in working capital:			
Receivables	94,352	38,924	(2,413)
Inventories	9,468	8,158	74,911
Prepaid expenses	6,804	11,959	1,016
Payables	(42,073)	5,188	(45,059)
Accruals	(18,556)	(6,057)	(17,453)
Income taxes	(40,749)	24,410	(20,617)
Increase (decrease)	9,246	82,582	(9,615)
Changes in cash, other working capital and debt due to currency rate movements	(23,869)	16,508	9,738
Total funds used	462,242	467,474	390,466
Net change in cash and current debt	\$ 8,278	\$ (2,021)	\$ (34,378)

Changes in Cash and Current Debt:

Increase in cash and short-term investments	\$ 58,770	\$ 35,843	\$ 51,199
(Increase) in current debt	(50,492)	(37,864)	(85,577)
	\$ 8,278	\$ (2,021)	\$ (34,378)

See Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEET

*Assets (in thousands)**Current Assets:*

	<i>April 30, 1986</i>	<i>May 1, 1985</i>
Cash	\$ 22,522	\$ 19,398
Short-term investments, at cost which approximates market	382,733	327,087
Receivables	438,525	343,865
Less allowances	10,710	10,402
	427,815	333,463
Inventories:		
Finished goods and work-in-process	520,532	529,487
Packaging material and ingredients	197,325	178,902
	717,857	708,389
Prepaid expenses and other current assets	63,959	57,155
Total current assets	1,614,886	1,445,492
<i>Property, Plant and Equipment:</i>		
Land	25,005	22,645
Buildings and leasehold improvements	330,655	277,211
Equipment, furniture and other	1,164,694	962,061
	1,520,354	1,261,917
Less accumulated depreciation	596,834	502,209
Net property, plant and equipment	923,520	759,708
<i>Other Noncurrent Assets:</i>		
Investments, advances and other assets	111,619	94,267
Excess of investments in consolidated subsidiaries over net assets at acquisition	187,339	174,307
	\$2,837,364	\$2,473,774

See Notes to Consolidated Financial Statements.

Liabilities and Shareholders' Equity (in thousands)

Current Liabilities:

	<i>April 30, 1986</i>	<i>May 1, 1985</i>
Short-term debt	\$ 226,592	\$ 171,115
Portion of long-term debt due within one year	13,642	18,627
Accounts payable	324,218	282,145
Accrued liabilities	257,363	238,807
Income taxes	88,592	47,843
Total current liabilities	910,407	758,537

Long-Term Debt and Other Liabilities:

Long-term debt	300,354	273,671
Deferred income taxes	211,669	169,325
Other	54,927	41,787
	566,950	484,783

Shareholders' Equity:

Capital stock:		
3.65% cumulative preferred, \$100 par value	—	481
Third cumulative preferred, \$1.70 first series, \$10 par value	1,141	1,409
Common stock, \$.50 par value	71,850	71,850
	72,991	73,740
Additional capital	85,882	86,606
Retained earnings	1,564,581	1,380,425
Cumulative translation adjustments	(136,073)	(188,904)
	1,587,381	1,351,867
Less treasury shares, at cost	227,374	121,413
Shareholders' equity	1,360,007	1,230,454
	\$2,837,364	\$2,473,774

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands except per share data)

1. SIGNIFICANT ACCOUNTING POLICIES

Fiscal Year: The company operates on a fiscal year ending the Wednesday nearest April 30. Fiscal years for the financial statements included herein ended April 30, 1986, May 1, 1985, and May 2, 1984.

Principles of Consolidation: The consolidated financial statements include the accounts of the company and its domestic and foreign subsidiaries except for certain subsidiaries primarily involved in fishing vessel operations. These subsidiaries, together with investments in other entities also engaged primarily in fishing vessel operations, are accounted for on the equity or cost basis, as appropriate.

The excess of investments in consolidated subsidiaries over net assets at acquisition is being amortized on a straight-line basis over periods not exceeding 40 years. The company regularly reviews the individual components of the balance and recognizes, on a current basis, any diminution in value.

Translation of Foreign Currencies: Balance sheet accounts are translated at the exchange rate in effect at each year end and income statement accounts are translated at the average rate of exchange prevailing during the year. Translation adjustments arising from the use of differing exchange rates from period to period are included in the cumulative translation adjustment account in shareholders' equity.

Inventories: Inventories are stated at the lower of cost (principally the average method) or market.

Depreciation: For financial reporting purposes, depreciation is provided on the straight-line method over the estimated useful lives of the assets. Accelerated depreciation methods generally are used for income tax purposes.

Income Taxes: Deferred income taxes primarily result from timing differences, principally depreciation, between financial and tax reporting. The investment tax credit is accounted for under the "flow-through" method, which recognizes the benefit in the fiscal year in which the asset is placed in service. The company has not provided for possible U.S. taxes on the undistributed earnings of foreign subsidiaries that are considered to be reinvested indefinitely. Where it is contemplated that earnings will be remitted, credit for foreign taxes already paid generally will offset applicable U.S. income taxes; in those cases where they will not offset U.S. income taxes, appropriate provisions are included in the Consolidated Statement of Income.

Net Income Per Common Share: Net income per common share has been computed by dividing income applicable to common shareholders by 137,315,701 in 1986, 137,678,880 in 1985, and 139,662,554 in 1984, the weighted average number of shares of common stock outstanding and common stock equivalents during the respective years.

Business Segment Information: Information concerning business segment and geographic data is on page 48 in the Financial Review.

2. INCOME TAXES

The following table summarizes the provision for Federal, State, U.S. Possessions and foreign taxes on income.

	1986	1985	1984
Current:			
Federal, State and U.S. Possessions	\$109,295	\$ 86,288	\$ 81,235
Foreign	45,955	57,600	44,128
	155,250	143,888	125,363
Deferred:			
Federal, State and U.S. Possessions	25,826	39,469	20,823
Foreign	16,518	(4,032)	18,539
	42,344	35,437	39,362
Total tax provision	\$197,594	\$179,325	\$164,725

Pretax income for domestic companies was \$343,255 in 1986, \$314,110 in 1985, and \$257,731 in 1984. The current provision for Federal taxes includes a reduction for investment tax credits amounting to \$6,933 in 1986 (\$3,730 in 1985 and \$4,428 in 1984).

The company's consolidated United States income tax returns have been audited by the Internal Revenue Service for all years through 1981.

The differences between the United States statutory tax rate and the effective rate are as follows:

	1986	1985	1984
United States statutory tax rate	46.0%	46.0%	46.0%
Investment tax credit	(1.4)	(.8)	(1.1)
Tax on income of foreign subsidiaries	(1.8)	(1.5)	(1.1)
Tax on income of U.S. Possessions subsidiaries	(6.5)	(6.1)	(5.5)
State income taxes (net of Federal income tax benefit)	1.9	1.9	2.1
Other	1.4	.8	.6
Consolidated effective tax rate	39.6%	40.3%	41.0%

Undistributed earnings of foreign subsidiaries approximated \$519,000 at April 30, 1986.

3. DEBT

Short-Term			1986	1985
Amount outstanding at year end:				
Commercial paper			\$101,002	\$ 75,515
Bank borrowings			125,590	95,600
			\$226,592	\$171,115
Long-Term			1986	1985
	Range of Interest	Maturity (fiscal year)		
United States Dollars:				
Commercial paper and master notes	Variable	1988	\$120,000	\$120,000
Convertible subordinated debentures (Net of unamortized discount of \$6,021)	7¼%	2001-2015	34,605	34,532
Debentures	7¼	1998	2,789	2,789
Revenue bonds	5¾-11¼	1992-2016	44,006	42,501
Promissory notes	6¾	1987-1993	19,200	21,800
Promissory notes	6 -12	1987-2000	9,870	17,871
Other	4 -12	1987-2000	6,438	7,050
			236,908	246,543
Foreign Currencies (U.S. dollar equivalents):				
Promissory notes:				
German marks	6¾	1988	21,362	16,332
Italian lire	3 -17¼	1987-1996	7,189	10,477
Australian dollars	12½	1991	26,364	7,370
Other	6 -16½	1987-1996	22,173	11,576
			77,088	45,755
Total long-term debt			313,996	292,298
Less portion due within one year			13,642	18,627
			\$300,354	\$273,671

The amount of long-term debt required to be retired in each of the four years succeeding 1987 is: \$156,840 in 1988, \$9,257 in 1989, \$6,698 in 1990 and \$32,790 in 1991. The company has guaranteed debt of certain unconsolidated subsidiaries, affiliated companies and

other parties amounting to \$33,369 at April 30, 1986.

The \$120,000 of commercial paper and master notes is supported by long-term line of credit agreements that expire August 31, 1987 unless extended as provided for in the agreements. The company currently intends to extend

these agreements through August 31, 1988. The commercial paper and master notes had a weighted average interest rate during the year of 7.8% and at year-end of 6.7%.

On August 28, 1985, the company issued Australian \$37,500 of 12½% notes due August 28, 1990. The proceeds from these notes are being used in the company's Australian operations for general corporate purposes, including the reduction of certain debt.

In February, 1985, the company issued \$40,626 of 7¼% (effective yield—8.743%) convertible subordinated debentures due February, 2015 ("1985 debentures") in exchange for an equivalent amount of outstanding 7¼% debentures due August, 1997. The 1985 debentures are convertible into common stock of the company at \$35.19 per share, subject to adjustment. After February 15, 1988, the company may redeem all, or part, of the 1985 debentures at 100% of face value. Annual sinking fund payments of \$2,000 are required beginning February, 2001.

Under the company's primary restrictive debt covenant limiting the payment of dividends (the indenture relating to the 6½% promissory notes due October, 1992), retained earnings of \$1,234,775 at April 30, 1986 were available for dividends.

4. INFORMATION ON FOREIGN OPERATIONS

Selected financial information of consolidated foreign subsidiaries appears below.

	1986	1985
Current assets	\$ 646,910	\$ 551,725
Current liabilities	(425,270)	(340,447)
Working capital	221,640	211,278
Fixed and other assets	465,861	330,919
Long-term debt and other liabilities	(156,771)	(151,335)
Net assets	\$ 530,730	\$ 390,862

5. CAPITAL STOCK, ADDITIONAL CAPITAL AND CUMULATIVE TRANSLATION ADJUSTMENTS

Information related to shares of stock outstanding and in treasury, and to additional capital follows:

	Shares (in thousands)				
	Cumulative Preferred Stock		\$.50 Par Common Stock		Additional Capital
	3.65% \$100 par	Third, \$1.70 First Series \$10 par	Issued	In Treasury	
Balance April 27, 1983	9	256	143,538	330	\$98,298
Reacquired	(4)	—	—	8,250	26
Conversion of preferred into common stock	—	(84)	60	(316)	(4,066)
Stock options exercised	—	—	102	(678)	(4,419)
Other, net	—	—	—	—	1,483
Balance May 2, 1984	5	172	143,700	7,586	\$91,322
Reacquired	—	—	—	614	—
Conversion of preferred into common stock	—	(31)	—	(142)	(1,850)
Stock options exercised	—	—	—	(826)	(5,015)
Other, net	—	—	—	—	2,149
Balance May 1, 1985	5	141	143,700	7,232	\$86,606
Reacquired	(5)	—	—	4,680	—
Conversion of preferred into common stock	—	(27)	—	(121)	(1,612)
Stock options exercised	—	—	—	(1,508)	(3,699)
Other, net	—	—	—	—	4,587
Balance April 30, 1986	—	114	143,700	10,283	\$85,882
Authorized—April 30, 1986	—	114	300,000	—	—

Capital Stock: Common stock reserved for stock option plans and conversion of preferred stock and convertible debt into common stock totaled 17,237,503 shares as of April 30, 1986 and 18,866,342 shares as of May 1, 1985. The third cumulative preferred stock, \$1.70 first series, outstanding is convertible at a rate of one share of preferred stock into 4.5 shares of common stock. The company can redeem the stock at \$29.00 per share through November 30, 1986, and at \$28.50 thereafter.

Effective January 1, 1986, the company redeemed all of the outstanding shares of its 3.65% cumulative preferred stock.

At April 30, 1986, there were authorized, but unissued, 2,200,000 shares of third cumulative preferred stock for which the series had not been designated.

Cumulative Translation Adjustments: Changes in the cumulative translation component of shareholders' equity result principally from translation of foreign subsidiaries' financial statements into U.S. dollars. The translation component decreased \$52,831 in 1986, and increased \$48,601 in 1985, and \$33,510 in 1984.

6. EMPLOYEES' STOCK OPTION PLANS AND MANAGEMENT INCENTIVE PLANS

Under the company's stock option plans, officers and other key employees may be granted options, each of which allows for the purchase of one share of the

company's common stock. The option price on all outstanding options is equal to the fair market value of the stock at the date of grant. The company's 1984 Stock Option Plan authorizes the granting of 10,000,000 shares through December, 1994. As of April 30, 1986, options for approximately 4,570,000 shares have been granted under this plan.

The company's stock option plans permit the granting of stock appreciation rights (SAR's) in conjunction with options. These SAR's enable the holder to surrender unexercised options and receive in exchange therefor shares of common stock with an aggregate market value or, at the company's option, cash, equal to the excess of the fair market value of the shares under options surrendered over the option price. All outstanding SAR's were surrendered effective January 31, 1985, and no SAR's have been granted in conjunction with options since then. As a result, no amounts were charged to earnings with respect to SAR's in 1986, while \$4,813 was charged in 1985, and \$3,267 was charged in 1984.

Data regarding the company's stock option plans appear in the table below.

	Shares	Range of Option Price
Shares under option May 2, 1984	6,450,302	\$ 5¼-19
Options granted	5,058,100	16½-22
Options or SAR's exercised	(1,021,584)	5¼-19
Options surrendered	—	—
Shares under option May 1, 1985	10,486,818	\$ 5¼-22
Options granted	1,190,040	23½-32%
Options exercised	(1,508,419)	5¼-27%
Options surrendered	(31,400)	12%-29%
Shares under option April 30, 1986	10,137,039	\$ 5¼-32%
Options exercisable at:		
May 1, 1985	4,120,704	
April 30, 1986	7,106,825	

The company's management incentive plans cover certain key employees of the company and its subsidiaries. Participants in the plans may elect to be paid on a current or deferred basis. The aggregate amount of all awards may not exceed certain limits in any year. Management incentive plan expense was \$19,901 in 1986, \$15,620 in 1985, and \$11,879 in 1984.

7. RETIREMENT PLANS

Substantially all employees of the company and its subsidiaries are covered by pension plans. Pension costs generally are funded as accrued. Total pension expense declined 23.7% to \$23,523 in 1986, reflecting improved investment performance over the past several years, as well as changes in certain actuarial assumptions. Pension expense was \$30,824 in 1985 and \$35,272 in 1984.

The following table presents information for the pension plans of the company and its domestic subsidiaries, as of January 1, 1986 and 1985:

	1986	1985
Actuarial present value of accumulated plan benefits:		
Vested	\$182,996	\$179,720
Nonvested	38,364	34,473
	\$221,360	\$214,193
Net assets available for pension benefits	\$293,753	\$246,003
Assumed rate of return used in determining the actuarial present value of accumulated plan benefits	9.0%	9.0%

It is not generally the practice outside the United States to compute the actuarial present value of accumulated plan benefits for pension plans. At the dates of the latest valuations, based on actuarial reports, total pension fund assets for all such plans exceeded the present value of vested benefits.

In addition to providing pension benefits, the company and certain of its subsidiaries provide health care and life insurance benefits for retired employees. Substantially all of the company's U.S. and Canadian employees may become eligible for these benefits. The cost of retiree health care and life insurance benefits is expensed as incurred. These costs totaled approximately \$3,040 in 1986, and \$3,000 in 1985.

8. LEASES

Operating lease rentals for warehouse, production and office facilities and equipment amounted to approximately \$36,659 in 1986, \$31,750 in 1985, and \$31,095 in 1984. Future lease payments for noncancelable operating leases as of April 30, 1986 totaled \$133,276 (1987—\$21,921, 1988—\$19,387, 1989—\$16,958, 1990—\$14,894, 1991—\$11,398 and thereafter—\$48,718).

9. LEGAL MATTERS

Star-Kist Foods, Inc., a wholly-owned subsidiary of H. J. Heinz Company, is a defendant together with two other tuna canners, Ralston-Purina, Inc. and Castle & Cooke, Inc., in a suit which was originally filed in February, 1985 in the United States District Court for the Southern District of California in San Diego. The plaintiffs presently consist of owners of 21 tuna fishing vessels. The complaint alleges that defendants have engaged in price fixing and other violations of federal antitrust laws in connection with the purchase of raw tuna from the plaintiffs, for which they seek antitrust damages of \$168 million, which, if proven, would be trebled to \$504 million. Plaintiffs have also asserted in the same litigation state contract and tort claims for which they seek actual damages plus \$78 million in punitive damages. Star-Kist Foods, Inc. is defending vigorously against this action and in November, 1985, filed its own antitrust and state law counterclaims against the plaintiffs.

There are also pending two class actions filed against the above named defendants on behalf of crew members of fishing vessels and their union alleging claims similar to those made by the vessel owners. The first case, which alleged violations of federal and state antitrust laws and state tort law, was filed in the United States District Court for the Southern District of California in San Diego in May, 1985, was dismissed by the District Court in September, 1985, and is currently on appeal. Plaintiffs sought antitrust damages of \$40 million, which, if proven, would have been trebled to \$120 million, and damages for alleged violations of California law in the amount of \$40 million, plus \$30 million in punitive damages for a

total of \$190 million. In November, 1985 a second class action was filed by approximately 185 crew members and their union in the Superior Court of the State of California in San Diego. Plaintiffs allege violations of state antitrust and tort laws similar to those in the previously dismissed federal case. Plaintiffs seek state and antitrust damages of \$41 million which, if proven, would be trebled to \$123 million and, for the tort claims, actual damages of \$41 million and punitive damages of \$31 million for a total of \$195 million. Pre-trial discovery has not yet commenced in the case. Star-Kist Foods, Inc. is defending vigorously against both actions.

Certain other claims have been filed against the company or its subsidiaries and have not been finally adjudicated. These claims, as well as those described above, when finally concluded and determined, will not, in the opinion of management, based upon the information that it presently possesses, have a material adverse effect on the consolidated financial position.

10. QUARTERLY RESULTS (UNAUDITED)

Summarized quarterly financial information follows:

				Per Share Amounts	
	Sales	Gross Profit	Net Income	Net Income	Dividend
1986					
First	\$1,048,058	\$ 416,413	\$ 81,553	\$.59	\$.20
Second	1,085,530	422,151	74,934	.55	.22½
Third	1,013,348	406,909	63,169	.46	.22½
Fourth	1,219,241	498,465	82,078	.60	.22½
Total	\$4,366,177	\$1,743,938	\$301,734	\$2.20	\$.87½
1985					
First	\$1,021,323	\$ 398,398	\$ 72,029	\$.53	\$.17½
Second	1,040,337	397,693	69,681	.50	.20
Third	908,844	352,375	55,916	.41	.20
Fourth	1,077,441	423,974	68,352	.49	.20
Total	\$4,047,945	\$1,572,440	\$265,978	\$1.93	\$.77½

11. EFFECTS OF INFLATION (UNAUDITED)

The following supplementary data present the effects of inflation measured in current costs in accordance with the requirements of the Financial Accounting Standards Board.

The current-cost method uses price changes of specific assets (inventory and fixed assets) to gauge the impact of inflation. This method requires many subjective judgments, assumptions and estimates. In addition, it does not consider technological or other improvements that would be made if current operating capacity were to be replaced. Further, the inflation information may not be comparable from company to company because of variations in methodology, assumptions and companies' operating environments. These factors and the experimental nature of the information should be considered when reviewing the company's inflation-adjusted data. Also, this informa-

tion should not be taken as an indication of the company's ability to maintain productive capacity or its position in the marketplace.

To compute current costs, fixed assets were revalued based on indices, independent appraisals and unit pricing, while inventories were revalued based on prices at year-end. Current-cost depreciation was calculated on a straight-line basis and was allocated to cost of products sold and operating expenses. The current cost of fixed assets and inventory at April 30, 1986 was \$1,413,468 and \$718,590, respectively, while current-cost depreciation for 1986 was \$125,017.

The information presented also includes sales and net income in average 1986 dollars, adjusted to current year average exchange rates. This information compares the effect of the strength of the U.S. dollar with that of general U.S. inflation on sales and earnings.

No adjustments have been made to income tax expense because inflation adjustments are not deductible for income tax purposes. The higher effective tax rate that results indicates the increased tax burden that may occur in an inflationary environment.

The following table presents the Consolidated Statement of Income for the year ended April 30, 1986, as reported (historical costs) and as adjusted for specific prices (current costs).

	As Reported (Historical Costs)	Adjusted for Specific Prices (Current Costs)
Sales	\$4,366,177	\$4,366,177
Cost of products sold	2,622,239	2,658,906
Gross profit	1,743,938	1,707,271
Operating expenses	1,192,817	1,204,165
Operating income	551,121	503,106
Interest expense	57,956	57,956
Other income, net	6,163	6,364
Income before income taxes	499,328	451,514
Provision for income taxes	197,594	197,594
Net income	\$ 301,734	\$ 253,920
Effective tax rate	39.6%	43.8%

FIVE-YEAR SELECTED FINANCIAL DATA IN AVERAGE 1986 DOLLARS

	1986	1985	1984	1983	1982
<i>Sales</i>					
Historical	\$4,366,177	\$4,047,945	\$3,953,761	\$3,738,445	\$3,688,500
In 1986 dollars and exchange rates	4,366,177	4,238,675	4,119,340	3,917,683	3,919,008
Current-cost method (in 1986 dollars)	4,366,177	4,198,584	4,259,403	4,167,887	4,311,182
<i>Net Income</i>					
Historical	\$ 301,734	\$ 265,978	\$ 237,530	\$ 214,250	\$ 192,802
In 1986 dollars and exchange rates	301,734	276,609	246,967	225,881	204,986
Current-cost method (in 1986 dollars)	253,920	202,263	190,970	177,941	122,779
<i>Current-Cost Information</i>					
Net income per share	\$ 1.85	\$ 1.47	\$ 1.36	\$ 1.24	\$.87
Net assets at year-end	1,822,736	1,720,322	1,714,032	1,709,839	1,691,566
Translation and parity adjustments	106,081	(90,483)	(62,627)	(45,820)	(83,725)
Increase in current costs in excess of increase in the general price levels (a) (b)	(26,217)	(18,843)	(1,234)	16,020	52,242
<i>Other Information</i>					
Purchasing power gain (a)	\$ 16,467	\$ 16,623	\$ 22,631	\$ 25,072	\$ 50,420
Dividends per share	.87½	.80½	.72	.59½	.54½
Market price per common share at year-end	40.38	23.88	18.27	16.48	12.81
Average consumer price index (1967 = 100)	326.1	314.4	302.7	292.5	279.0

(a) This information reflects the effects of general inflation based on local currency general price level indices (restate-translate method).

(b) The increase for 1986 in current costs in excess of the increase in the general price level for inventories and property, plant and equipment was calculated as follows:

Increase in current costs	\$ 56,684
Increase in general price level	<u>82,901</u>
Increase in current costs in excess of increase in the general price level	<u><u>\$ (26,217)</u></u>

RESPONSIBILITY FOR
FINANCIAL STATEMENTS

Management of H. J. Heinz Company is primarily responsible for the preparation of the financial statements and other information included in this annual report. The financial statements have been prepared in conformity with generally accepted accounting principles, incorporating management's best estimates and judgments, where applicable.

Management believes that the company's internal control systems provide reasonable assurance that assets are safeguarded, transactions are recorded and reported appropriately and policies are followed. The concept of reasonable assurance recognizes that the cost of a control procedure should not exceed the expected benefits. Management believes that its systems provide this appropriate balance. An important element of the company's control systems is the ongoing program to promote control consciousness throughout the organization. Management's commitment to this program is emphasized through written policies and procedures (including a code of conduct), an effective internal audit function and a qualified financial staff.

The company engages independent public accountants who are responsible for performing an independent examination of the financial statements. Their report, which appears herein, is based on obtaining an understanding of the company's accounting systems and procedures and testing them as they deem necessary.

The company's Audit Committee is composed entirely of outside directors. The Audit Committee meets regularly, and when appropriate separately, with the independent public accountants, the internal auditors and financial management to review the work of each and to satisfy itself that each is discharging its responsibilities properly. Both the independent public accountants and the internal auditors have unrestricted access to the Audit Committee.

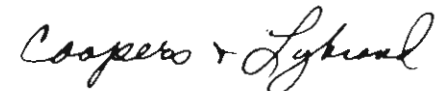
INDEPENDENT ACCOUNTANTS' REPORT

The Shareholders

H. J. Heinz Company:

We have examined the consolidated balance sheet of H. J. Heinz Company and consolidated subsidiaries as of April 30, 1986 and May 1, 1985, and the related consolidated statements of income, retained earnings and changes in financial position for each of the three years in the period ended April 30, 1986. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of H. J. Heinz Company and consolidated subsidiaries as of April 30, 1986 and May 1, 1985, and the results of their operations and the changes in their financial position for each of the three years in the period ended April 30, 1986 in conformity with generally accepted accounting principles applied on a consistent basis.



Pittsburgh, Pennsylvania
June 19, 1986

TEN-YEAR SUMMARY OF OPERATIONS AND RELATED DATA

(dollar amounts in thousands except per share data)

Summary of Operations:

Other Data:

Fiscal Year	1986	1985
Sales	\$ 4,366,177	\$ 4,047,945
Cost of products sold	2,622,239	2,475,505
Interest expense	57,956	52,821
Provision for income taxes	197,594	179,325
Net income	301,734	265,978
Net income per common share	2.20	1.93
Dividends paid:		
Common	117,351	105,489
per share	.87½	.77½
Preferred	227	291
Average number of common shares outstanding	134,125,804	136,102,374
Capital expenditures	206,331	158,830
Depreciation	85,524	78,833
Total assets	2,837,364	2,473,774
Total debt	540,588	463,413
Shareholders' equity	1,360,007	1,230,454
Pretax return on average invested capital (%)	31.0	30.5
Return on average shareholders' equity (%)	23.3	22.6
Book value per common share	10.17	8.98
Price range of common stock:		
High	44	24½
Low	22⅝	16¼

1984	1983	1982	1981	1980	1979	1978	1977
\$ 3,953,761	\$ 3,738,445	\$ 3,688,500	\$ 3,568,889	\$ 2,924,774	\$ 2,470,883	\$ 2,159,436	\$ 1,877,300
2,446,220	2,355,805	2,384,166	2,337,616	1,902,390	1,628,508	1,443,056	1,268,297
46,417	50,354	58,831	59,585	49,010	29,471	18,859	16,332
164,725	136,122	106,145	126,879	59,583	72,164	69,554	72,967
237,530	214,250	192,802	160,827	131,497	108,404	95,277	96,598
1.70	1.51	1.37	1.16	.96	.79	.68	.69
94,210	76,352	65,755	54,841	48,131	41,309	32,143	24,260
.67½	.53⅔	.47	.40	.36	.31	.23⅔	.17¼
387	805	1,220	2,198	3,075	3,138	3,147	3,166
139,662,554	142,050,768	140,322,840	136,755,120	134,329,482	133,979,586	135,657,678	136,459,398
136,971	111,385	140,451	128,604	98,061	111,623	85,441	50,679
70,245	64,196	59,232	56,362	49,259	38,371	30,755	27,743
2,342,970	2,178,693	2,129,570	2,039,578	1,936,736	1,607,181	1,322,406	1,256,052
448,676	384,049	455,672	432,451	502,465	342,918	228,002	220,779
1,120,659	1,139,610	1,029,830	944,668	843,839	755,599	678,877	630,218
29.0	26.6	25.0	25.5	19.6	20.9	20.9	22.6
21.0	19.8	19.5	18.0	16.4	15.1	14.6	16.1
8.19	7.90	7.16	6.58	5.87	5.21	4.65	4.20
19¼	15⅛	11⅞	9¾	7⅞	7⅞	6¾	5¾
13⅞	9¾	8⅞	6⅞	5¾	5⅞	4⅞	4⅞

WORLD LOCATIONS

World Headquarters. P.O. Box 57, Pittsburgh, Pennsylvania 15230

Heinz U.S.A. Division. Established 1869. Pittsburgh, Pennsylvania. David W. Sculley, President and Chief Executive Officer. Factories: Carteret, New Jersey/Chico, California/Fremont, Ohio/Holland, Michigan/Metcalf, Mississippi/Muscatine, Iowa/New Paltz, New York/Pittsburgh, Pennsylvania/Sibley, Iowa/Stockton, California/Tracy, California/Watsonville, California/Winchester, Virginia

Star-Kist Foods, Inc. Acquired 1963. Long Beach, California. Joseph J. Bogdanovich, Chairman; Richard L. Beattie, President and Chief Executive Officer. Factories: Terminal Island, California/Muscatine, Iowa/Perham, Minnesota/El Paso, Texas. Cold Storage/Collection Stations: Dakar, Senegal/Agana, Guam/LePort, Reunion Island

Star-Kist Caribe, Inc. Acquired 1963. Factory: Mayaguez, Puerto Rico

Star-Kist Samoa, Inc. Acquired 1963. Factory: Pago Pago, American Samoa

Star-Kist International S.A. Acquired 1963. Panama City, Panama. Factory/Collection Station: Tema, Ghana/Abidjan, Ivory Coast

Star-Kist Canada, Inc. Acquired 1981. Factory: St. Andrews, New Brunswick

Ets. Paul Paulet. Acquired 1981. Claude Cornu-Thenard, President. Factories: Douarnenez/Ploemel/Pornic, France

Ore-Ida Foods, Inc. Acquired 1965. Boise, Idaho. Paul I. Corddry, President and Chief Executive Officer. Factories: Ontario, Oregon/Burley, Idaho/Greenville, Michigan/Plover, Wisconsin

Foodways National, Inc. Acquired 1978. Boise, Idaho. Gerald D. Herrick, President and Chief Executive Officer. Factories: Wethersfield, Connecticut/Massillon, Ohio

Gagliardi Bros., Inc. Acquired 1980. Boise, Idaho. Gerald D. Herrick, President and Chief Executive Officer. Factory: West Chester, Pennsylvania

The Hubinger Company. Acquired 1975. Keokuk, Iowa. Bruce W. Brown, President and Chief Operating Officer. Factory: Keokuk, Iowa

Weight Watchers International, Inc. Acquired 1978. Jericho, New York. Albert Lippert, Chairman; Charles M. Berger, President and Chief Executive Officer

Cardio-Fitness Corporation. Acquired 1985. New York, New York. Victor M. Barnett, Chairman; Jerome Zuckerman, President

H. J. Heinz Company Australia Ltd. Established 1935. Dandenong, Victoria. Edward S. Churchill, President and Chief Executive Officer. Factories: Dandenong, Victoria/Greenseas Division-Eden, New South Wales

The Stanley Wine Company Pty. Ltd. Acquired 1971. Clare, South Australia; Buronga, New South Wales. B. C. McGee, Director. Factories: Clare/Buronga

Epicurean Foods and Beverages Pty. Ltd. Formed by merger 1978. Noble Park, Victoria. T. Ward, Senior Director-Heinz Brand. Factory: Noble Park

H. J. Heinz Company of Canada, Ltd. Established 1909. Toronto, Ontario. T. D. Smyth, President and Chief Executive Officer. Factory: Leamington, Ontario

Galco Food Products Ltd. Acquired 1971. Bramalea, Ontario. T. D. Smyth, Chairman. Factory: Bramalea

Latin American Area Office. Mexico City, Mexico. Manuel Albarran, Area Director

Caribbean Restaurants, Inc. Acquired 1976. San Juan, Puerto Rico. F. Gerardo Larrea, President

Alimentos Heinz C.A. Established 1959. Caracas, Venezuela. John M. Werner, President. Factory: San Joaquin, Carabobo

Heinz Japan Ltd. Established 1961. Tokyo, Japan. Masahira Ogawa, Representative Director. Factory: Utsunomiya

H. J. Heinz Company Ltd. Established 1905. Hayes, Middlesex, England. John F. Hinch, Managing Director. Factories: Harlesden (London)/Kitt Green/Didcot

W. Darlington and Sons Ltd. Acquired 1969. Rustington, Sussex, England. John F. Hinch, Chairman; John Bodmer, Vice Chairman. Farms: Rustington/Horley/Camberley/Poling/Angmering/Woking/Bradford-on-Avon

Country Kitchen Foods Ltd. Acquired 1979. Langford, Avon, England. John F. Hinch, Chairman; John Bodmer, Vice Chairman. Farms: Langford/Wrington/Market Harborough/Wilmslow

Somycel S.A. Established 1973. Paris, France. John Bodmer, President

Montrose Canned Foods Ltd. Established 1983. Hayes, Middlesex, England. John F. Hinch, Chairman

S.A. H. J. Heinz Central Europe N.V. Established 1984. Brussels, Belgium. Robert M. Kuijpers, Managing Director; Pieter den Dulk, Deputy Managing Director

H. J. Heinz B.V. Acquired 1958. Elst, Gelderland, the Netherlands. Robert M. Kuijpers, Managing Director; Pieter den Dulk, Deputy Managing Director. Factory: Elst

Johma Holding International B.V. Acquired 1984. Losser, the Netherlands. Robert M. Kuijpers, Managing Director; Pieter den Dulk, Deputy Managing Director. Factory: Losser

H. J. Heinz Branch Belgium. Established 1984. Brussels, Belgium. Legal Representative: Jean-Claude Jamar

Nadler-Werke GmbH. Acquired 1979. Mannheim, Germany. Management Group: Kurt Bernadzik, Chairman; Jürgen Methe, Karl-August Sabrowski. Factories: Mannheim/Biblis/Bottrop/Bremerhaven/Leichlingen/Sarstedt

H. J. Heinz S.A.R.L. Established 1979. Paris, France. Maas van den Berg, Gerant

H. J. Heinz GmbH. Established 1970. Cologne, Germany. Management Group: Robert M. Kuijpers, Pieter den Dulk, Bernd M. Rehm

IDAL (Industrias de Alimentacao, Lda.). Acquired 1965. Lisbon, Portugal. Jorge Giral, Managing Director. Factory: Benavente

PLADA (Plasmon Dietetici Alimentari S.p.A.). Acquired 1963. Milan, Italy. Luigi Ribolla, President and Managing Director. Factories: Milan/Latina/Ozzano Taro

Liven International S.p.A. Acquired 1978. Milan, Italy. Luigi Ribolla, Sole Administrator; Appio Massari, Director General. Factory: San Stino di Livenza (Venice)

Fratelli Sperlari S.p.A. Acquired 1981. Cremona, Italy. Luigi Ribolla, President; Gianpietro Borasio, Managing Director. Factory: Cremona

Olivine Industries (Private) Limited. Acquired 1982. Harare, Zimbabwe. William Margolis, Chairman; Douglas N. Dibb, Managing Director and Chief Executive Officer. Factory: Harare

Heinz-UFE Ltd. Established 1984. Guangzhou, Guangdong Province, People's Republic of China. Dai Ye Ping, Chairman; Wah-hui Chu, General Manager. Factory: Guangzhou

Frutsi International. Established 1985. Pittsburgh, Pennsylvania. Eric Y. Johnson, President

Seoul Food Ltd. Established 1986. Seoul, South Korea. Chung Taik Suh, Chairman; Dietmar Kluth, President and Representative Director. Factory: Seoul

DIRECTORS AND OFFICERS

BOARD OF DIRECTORS

Henry J. Heinz II, Chairman. Director since 1936 (1, 2, 3, 6)

Anthony J. F. O'Reilly, President and Chief Executive Officer. Director since 1971 (1, 3, 6)

Franklin E. Agnew, Senior Vice President. Director since 1971 (1)

Joseph J. Bogdanovich, Senior Vice President; Chairman, Star-Kist Foods, Inc. Director since 1963 (1)

J. Wray Connolly, Senior Vice President. Director since 1985 (1)

Richard M. Cyert, President, Carnegie-Mellon University. Director since 1984 (4, 6)

R. Derek Finlay, Senior Vice President-Corporate Development. Director since 1981 (1, 5)

Albert Lippert, Chairman, Weight Watchers International, Inc. Director since 1978 (6)

F. James McDonald, President and Chief Operating Officer, General Motors Corporation, Detroit, Michigan. Director since 1977 (2, 4)

Richard B. Patton, Senior Vice President. Director since 1982 (1)

John T. Ryan, Jr., Chairman of the Board, Mine Safety Appliances Company, Pittsburgh, Pennsylvania, mine safety equipment. Director since 1961 (2, 4, 6)

Herman J. Schmidt, Director, Various Corporations. Director since 1977 (2, 3, 4)

William W. Scranton, Director, Various Corporations. Director since 1983 (2, 6)

Eleanor Bernert Sheldon, Social Scientist. Director since 1979 (4, 6)

William P. Snyder III, President, The Shenango Furnace Company, Pittsburgh, Pennsylvania, pig iron and ingot molds. Director since 1961 (2, 3, 6)

Karl M. von der Heyden, Senior Vice President-Finance and Chief Financial Officer. Director since 1983 (1, 5)

S. Donald Wiley, Senior Vice President, General Counsel and Secretary. Director since 1972 (1, 5)

COMMITTEES OF THE BOARD

- (1) Executive Committee
- (2) Management Development and Compensation Committee
- (3) Nominating Committee
- (4) Audit Committee
- (5) Investment Committee
- (6) Public Issues Committee

OFFICERS

Henry J. Heinz II, Chairman of the Board

Anthony J. F. O'Reilly, President and Chief Executive Officer

Franklin E. Agnew, Senior Vice President

Joseph J. Bogdanovich, Senior Vice President

J. Wray Connolly, Senior Vice President

R. Derek Finlay, Senior Vice President-Corporate Development

George C. Greer, Vice President-Organization Development and Administration

Lawrence J. McCabe, Vice President and Associate General Counsel

Richard B. Patton, Senior Vice President

Paul F. Renne, Treasurer

Karl M. von der Heyden, Senior Vice President-Finance and Chief Financial Officer

Robert N. White, Corporate Controller

S. Donald Wiley, Senior Vice President, General Counsel and Secretary

CORPORATE DATA

Transfer Agent, Registrar and Disbursing Agent: Mellon Bank N.A., Pittsburgh, Pennsylvania

Auditors: Coopers & Lybrand, Pittsburgh, Pennsylvania

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THE ARTISTS

PAINTINGS:

Cover: Antonio Jacobsen (painted in 1878)

Chairman and President: Max Ginsburg, page 3

Canada: Malcolm T. Liepke, pages 10-11

Australia: Max Ginsburg, pages 16-17

Holland: John Berkey, pages 22-23

Venezuela: Julian Allen, pages 24-25

Italy: Eraldo Carugati, pages 30-31

Zimbabwe: James McMullan, pages 32-33

China: Kinuko Y. Kraft, pages 38-39

BLACK/WHITE ILLUSTRATIONS:

Inside Cover: David Johnson

United Kingdom, pages 7-8:

Hayes Park: Jean-François Alleux; Young H. J. Heinz II: Ellen Thompson; London bus: Doug Smith; H. J. Heinz II and Queen Mother: David Johnson; Spitfire: Theo Rudnack; chafing dish: Tom Lulevitch

Canada, pages 13-14:

Storage tanks: Barry Ross; worker in dust cap: David Johnson; visitors' center: William Low; delivery by camel: Jean-François Allaux; squeeze bottle: Jacqui Morgan; Gorbachev: Rosemary Webber

Australia, pages 19-20:

H. J. Heinz II climbing fence: David Johnson; tomato plant: Michael McCurdy; Robert Morley: William Low; wine cask: Jacqui Morgan; production line: Andrzej Dudzinski; New Guinea native: Burt Silverman

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Rollmop: Rosemary Webber; Nadler trucks: Tom Lulevitch; salad man: Burt Silverman; Portuguese tomato: William Low

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Marathon winner: Doug Smith; Paula Maria Herrera: Ellen Thompson; Burger King worker: Burt Silverman; workers on bikes: Andrzej Dudzinski

Italy, page 35:

Casa Fondata: Michael McCurdy; Cremona tower: Tom Lulevitch; worker on bicycle: Barry Ross; biscotti: Theo Rudnack

Africa, page 36:

Victoria Falls: Ellen Thompson; Zimbabwe meeting: Burt Silverman; soap on velvet cushion: Michael David Brown

Asia, page 41:

Flags: Theo Rudnack; cereal box: Rosemary Webber; Chinese characters: Wen-Yuan Hu; Auntie Heinz: Ryota Kawai

Heinz

H. J. Heinz Company P.O. Box 57 Pittsburgh, Pennsylvania 15230

